FINANCIAL TIMES

World Business Newspaper http://www.FT.com

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Will it default on its debts again?
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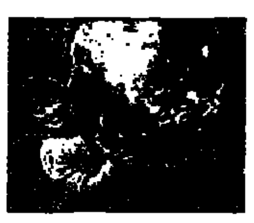

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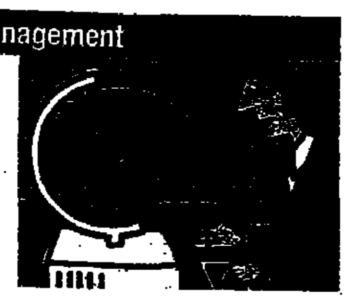
The FT's 12-part series on the I in IT continues on Monday.
Part Two: competing with knowledge



WORLD NEWS

King Hussein flies home to Jordan in critical condition

King Hussein, Jordan's ruler for 46 years, was last night flown home from the US critically ill with cancer. He had been receiving treatment for a recurrence of lymphoma when his internal organs began to fail. The king, a pivotal figure in Middle East peace efforts, was welcomed tumultuously only last month when he returned from treatment abroad apparently cured. Page 5

Italian pledge on stability
Rome insisted it would take all necessary measures to ensure Italy's budget stability programme was on track, but appeared irritated that Brussels had singled it out for criticism. Europe, Page 2

N Ireland truce 'still intact'
Ceasefires in Northern Ireland were intact despite punishment attacks and disclosures about paramilitary weapons, said Mo Mowlam, chief UK Northern Ireland minister. UK, Page 6

Space mirror hits problems
Russian cosmonauts were unable to open the 82 ft diameter mirror being used in an experiment to reflect sunlight back to dark areas of the earth.

Europe ponders satellite system
Brussels is expected to recommend the European Union to spearhead a €2.5bn ($2.84bn) satellite navigation system that would free it from dependence on US and Russian systems. Europe, Page 3

Witness plea may be rejected
The Senate looked set to dismiss a final appeal by Republican prosecutors to allow live witnesses in President Bill Clinton's impeachment trial and seemed likely to approve a new plan to complete proceedings by the end of next week. Page 3

Quake repairs may cost $1.5bn
Rebuilding Colombia's earthquake-devastated coffee-growing region could cost $1.5bn, president Andres Pastrana said.

Appeal over treason rejected
Russia's Supreme Court rejected an appeal to drop treason and spying charges against former captain Alexander Nikitin, who accused the navy of dumping nuclear waste in the Arctic Sea.

BUSINESS NEWS

ABB to simplify its share structure ahead of US listing

ABB, the international engineering and technology group, is to simplify its structure by replacing four different types of securities with a single share, which will clear the way for an eventual full US stock exchange listing. Companies and Markets, Page 17; Lex, Page 16

BMW, the German carmaker, today convenes a crucial board meeting that is expected to settle the fate of Bernd Pischetsrieder, its chairman. European companies, Page 18; Nissan refocuses, Page 22

Ionian Bank's potential bidders were shocked to learn that 20 per cent of its assets were accounted for by a single back-to-back transaction through its London branch. Companies and Markets, Page 17

Pepsi has beaten Coca-Cola to clinch sponsorship of China's soccer league, the country's top advertising deal. Companies and Markets, Page 17

British Steel is considering spending up to £500m ($800m) to acquire a distribution business in North America. UK companies, Page 23

Mexico and Argentina took advantage of the stabilisation of the Brazilian Real to issue sovereign bonds on the international markets. Companies and Markets, Page 17; Bonds, Page 26

AirTouch, the wireless telecommunications group, underlined the fact that the strongest growth for US carriers is coming from overseas. US companies, Page 20

Online trading groups are to be investigated by New York state following a rise in consumer complaints. Companies and Markets, Page 17

Nippon Steel, Japan's leading steel manufacturer, warned that it would not make a profit this year. Asia-Pacific companies, Page 22

World Equity Markets
The latest trends and data from more than 50 national markets at a glance
Page 37

German bank says it funded building of Auschwitz

Deutsche's move aims to settle lawsuits

By John Authers in New York and Uta Harnischfeger in Frankfurt

Deutsche Bank, Germany's largest bank, yesterday published documents that showed it had financed the building of the Auschwitz concentration camp, in a dramatic escalation of its attempts to settle Holocaust-related US lawsuits against it.

The admission is likely to be followed next week by meetings involving Deutsche, the New York-based World Jewish Congress, which has led the campaign on Holocaust-era assets, and the US and German governments. They will attempt to negotiate a process for resolving the claims, and avoid the threatened blocking of Deutsche's $9.8bn acquisition of Bankers Trust.

This will probably involve contributions into an "umbrella fund" including other German industries.

Deutsche and other German banks are being sued over their role in the forced "aryanisation" of Jewish businesses and handling stolen gold. Other industrial groups are facing claims over slave labour from concentration camps.

Deutsche's decision to release the documents came soon after Creditanstalt and Bank Austria, Austria's two largest banks, had offered to open their own archives to lawyers working on behalf of Holocaust victims. Creditanstalt was controlled by Deutsche during the war, and lawyers for the Jewish groups hoped that the archives would reveal incriminating documents about Deutsche.

A Deutsche official yesterday said he did not know of any recent contacts with Creditanstalt on the issue.

The documents, which originated at the Deutsche Bank branch office in Katowice, in occupied Poland, also show that the Gestapo secret police and IG Farben, an industrial conglomerate involved in implementing the Holocaust, had accounts at Deutsche Bank.

"Many [Deutsche Bank] employees in Katowice knew what was going on in the concentration camps," said a spokesman for Deutsche Bank.

Deutsche continued to maintain yesterday that Holocaust victims "won't be able to derive any concrete demands from today's discoveries", and that the "integration of Bankers Trust will be completed as scheduled by the end of the second quarter".

Alan Hevesi, the New York city comptroller, who said in December that the merger should not proceed until a settlement with Holocaust survivors had been reached, welcomed the news.

He said he still believed the federal and state regulators should not clear the merger "until these issues are fully resolved".

Last year Mr Hevesi was instrumental in organising a sanctions campaign against Swiss banks over their use of Holocaust assets.

The Swiss banks agreed a $1.25bn settlement less than a month before the sanctions were to start. Mr Hevesi said he would be briefed by the World Jewish Congress next week after their meetings with the German government and Deutsche.

President and Mrs Clinton at yesterday's national prayer breakfast in Washington. Mr Clinton said fighting in Kosovo was the 'biggest remaining danger to our objective of peace and stability in Europe' Picture: Reuters

Serbia agrees Kosovo talks but rejects Nato troops plan

By Guy Dinmore in Belgrade and Stephen Fidler in Washington

Serbia agreed yesterday to take part in peace talks on Kosovo starting tomorrow but rejected Nato plans to send up to 35,000 troops to enforce a political settlement of the year-old conflict with ethnic Albanian separatists.

President Bill Clinton said the US was "seriously considering" sending ground troops to the Serb province, on condition that there was a strong and effective peace agreement and a demonstration of the parties' commitment to implement the accord and co-operate with Nato "and any other people who go in with us".

He described the fighting in Kosovo as the "biggest remaining danger to our objective of peace and stability in Europe".

Meeting in Belgrade, the Serb parliament voted overwhelmingly in favour of negotiations, to begin tomorrow at a chateau in Rambouillet, outside Paris. But delegates also backed a government resolution that insisted Kosovo would remain an integral part of Serbia and that foreign troops would not be allowed in "through any excuses".

Alain Richard, the French defence minister, said in Paris that the proposed Kosovo peacekeeping force could have up to 35,000 troops and be commanded by a British general – likely to be Lieutenant General Sir Mike Jackson, commander of Nato's Rapid Reaction Corps. France was ready to contribute 5,000 ground troops plus 40 aircraft and ships, Mr Richard said.

General Henry Shelton, chairman of the US Joint Chiefs of Staff, has said between 2,000 and 4,000 US troops could take part. Germany has also pledged troops and diplomats in Belgrade said Greece and Russia were also interested in taking part in a Nato-led international force.

Mr Clinton warned that if the fighting in Kosovo continued, it would "almost certainly ... draw in the neighbouring countries of Albania and Macedonia ... It could potentially involve our Nato allies, Greece and Turkey. It could spark tensions again in Bosnia and undo what we have spent three years trying to do. Certainly if this conflict continues we'll see another massive humanitarian crisis."

But he said no decision had yet been made to send in US soldiers – and did not have to be made until before the Rambouillet talks.

He said a "permissive security environment" with the withdrawal of enough Serbian security forces and an agreement restricting the weapons held by rebels from the Kosovo Liberation Army (KLA) were needed before troops would be committed. "Finally, we have to have a well-defined Nato mission with a clear exit strategy," he said.

Mediators are working on draft peace accords that would give Nato the role of enforcing a ceasefire, securing Kosovo's borders and disarming KLA rebels as well as Serb paramilitaries.

Chris Hill, the US envoy who will be the chief mediator in Rambouillet, set a one-week deadline for conclusion of the talks. "Kosovo," he admitted "is a difficult problem of reconciling the irreconcilable".

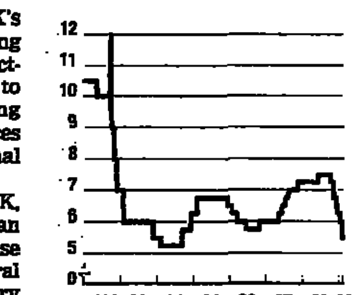
UK and Denmark cut interest rates

By Richard Adams in London and Clare MacCarthy in Copenhagen

The Bank of England, the UK's central bank, cut its base lending rate yesterday by an unexpectedly large 0.5 percentage point to 5.5 per cent, citing flagging consumer demand, weak prices and an uncertain international outlook.

Denmark, which, like the UK, is not a member of the European single currency, also cut its base rate. But the European Central Bank, which conducts monetary policy for the 11-country euro-zone, decided its rates would remain unchanged. Wim Duisenberg, ECB president, said: "The outlook for price stability within the euro-zone remains favourable."

UK interest rate
Bank of England Operational rate (%)



Source: Datastream/ICV

The Bank of England's monetary policy committee said its projections called for a further cut to keep underlying inflation in line with the government's target of 2.5 per cent. Underlying inflation in December was running at an annual rate of 2.6 per cent and is widely expected to weaken in the next few months.

Mortgage lenders reacted to the decision by immediately cutting their own rates, with most fully matching the Bank's move.

The London equity market was initially enthusiastic, with the FTSE-100 index initially rising strongly. The rally stalled later following gloomy sentiment in the US.

By cutting rates at each of its last five monthly meetings, the monetary policy committee has now reduced the Bank's securities repurchase rate by 2 percentage points since the beginning of last October.

Many economists thought the Bank might delay any further cuts for one or two months, to judge the economy's direction.

The Danish central bank moved to cut its key lending rates because of a strong inflow of foreign currency into the krone, which had strengthened against the euro in recent days.

The 0.25 percentage point cut, Denmark's fifth inside three months, brought the repo rate to 3.50 per cent and the deposit rate to 3.25 per cent.

Local financial markets barely reacted. The krone stayed stable at around DKr7.4350. Danish government bond prices slipped, which dealers said mirrored a weaker German bond market.

ECB holds rates, Page 2; Euro-zone convergence call, Page 6; Too much, too soon? Page 15; Lex, Page 16

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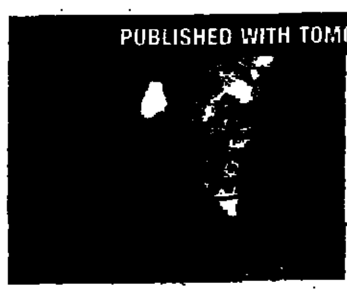

how to spend it colour magazine

Technicolour dreams
Buying into British films

WORLD MARKETS

STOCK MARKET INDICES		**GOLD**	
New York: Lunchtime		New York Comex	
Dow Jones Ind Av 9319.95	(-46.86)	(Feb) $290.2	(288.0)
NASDAQ Composite ...2450.19	(-43.22)	London	
Europe and Far East		......$288.95	(288.85)
CAC40 ......4167.42	(-21.42)	**DOLLAR**	
DAX 5077.85	(-7.81)	New York Lunchtime	
FTSE 100 ......5939.9	(-0.4)	£ 1.6393	
FTSE Eurotop 300 ......1211.85	(+1.48)	€ 0.8852	
Nikkei 14,085.85	(-74.46)	SFr 1.4179	
US Lunchtime RATES		Y 111.745	
Federal Funds 4.6875%		London	
3-mth Treas Bills: Yld ...4.49%		£ 1.6380	(1.6474)
Long Bond ......99$\frac{1}{4}$		€ 0.8857	(0.8843)
Yield 5.31%		SFr 1.4177	(1.3881)
OTHER RATES		Y 112.22	(113.505)
UK: 3-mo Interbank ......5$\frac{13}{32}$%	(5$\frac{13}{32}$%)	Tokyo Close	Y 113.795
UK: 10 yr Gilt 136.58	(136.50)	**EURO** (London)	
BBA Eurolibor ......3$\frac{1}{8}$%	(same)	$ 1.1290	(1.1571)
Germany: 10 yr Bund ...107.14	(107.09)	£ 0.6892	(0.7023)
Japan: 10 yr JGB 98.994	(98.864)	Y 128.696	(131.331)
NORTH SEA OIL (Argus)		SFr 1.6006	(1.6061)
Brent Dated $10.455	(10.82)		

Euro-zone target price €2.15. Prices in local currency as shown

Bahrain	Din1.300	Iceland	IKr285	Oman	OR1.75
Belgium	BFr90(€2.23)	Italy	L3900(€2.01)	Poland	Zl 10.00
CIS	US$4.00	Jordan	JD1.75	Portugal	Esc320(€1.60)
Croatia	Kn19.00	Kuwait	KWD0.750	Qatar	QR13.00
Denmark	DKr16.00	Latvia	Ls1.65	South Africa	R15
Estonia	EK34.00	Lithuania	Lit21.00	Spain	Pta325(€1.95)
Finland	FmK13.00(€2.19)	Lebanon	LBP3,500	Sweden	SKr20.00
France	FFr14.00(€2.13)	Luxembourg	LFr90(€2.23)	Switzerland	SFr3.50
Gibraltar	£0.85	Morocco	Dh18.00	Syria	S£90.00
Greece	Dr500	Netherlands	Fl 4.80(€2.18)	Tunisia	Din2.000
Hungary	Ft360	Norway	NKr19.00	UAE	Dh13.00

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BRUSSELS CONCERN ROME ACKNOWLEDGES GROWTH FORECASTS SENT TO BRUSSELS ARE OUT OF DATE AND PLEDGES TO REVISE THEM

Italy firm on keeping budget stability

By James Blitz in Rome

The Italian government yesterday insisted it would take whatever measures were necessary to ensure its budget stability programme was on track. But it showed signs of irritation that Brussels had singled the country out for criticism in a report this week.

Despite concerns expressed by the European Commission that Rome's growth forecasts appeared "overly optimistic", Italian officials hoped their budget stabilisation plan would be approved without a hitch on Monday by European Union economics and finance ministers.

In a statement, the treasury "confirmed its commitment to reach the budgetary and debt objectives set by the stability programme, and to undertake any measure, if needed, to achieve these objectives".

It also acknowledged that the growth forecasts set out in a document submitted to the Commission at the end of last year were now out of date. These would be revised, it said, when the government unveiled its annual three-year economic plan in May.

Nevertheless, the Treasury rejected suggestions from Brussels that Italy's public finances might be subjected to another formal examination later this year, stating bluntly that the Commission and the Council of the European Union would be "kept informed" of developments.

Massimo D'Alema, Italy's prime minister, was also keen to emphasise that Italy would give the European Commission revised data on economic growth later this year, "on our own initiative".

Noting that Italian public expenditure is now some seven or eight percentage points lower than France as a proportion of gross domestic product, he said:

"If something hasn't worked this year, it has not been for lack of rigour but because the economy has grown one percentage point less than expected at the time of last April's three year-plan".

Because of the low growth rate, Italy is expected to have lower-than-expected tax receipts this year.

Carlo Azeglio Ciampi, treasury minister, has repeatedly insisted that, this year, such a situation will be adequately compensated by lower-than-expected interest rates, which have sharply reduced Italy's expenditure on debt servicing.

However, in a letter sent to the Commission at the end of last month, Mr Ciampi said Italy remained committed "in particular" to achieving a budget deficit that was 1 per cent of gross domestic product by the year 2001.

Economic analysts think it will be difficult to meet that target without an additional fiscal adjustment, over and above existing treasury plans.

Economic analysts argued that in May, the treasury might have to announce a slightly larger package of fiscal tightening for the year 2000 budget than it had originally envisaged.

Interest rates kept on hold by ECB

By Wolfgang Münchau in Frankfurt

The European Central Bank yesterday signalled that interest rate changes would remain on hold, arguing that near-term economic conditions in the 11-nation euro-zone were still finely balanced.

At its third meeting since the launch of the euro in January, the ECB's governing council yesterday voted to leave the benchmark securities repurchase rate unchanged at 3.0 per cent, citing a favourable outlook for price stability.

But Wim Duisenberg, president of the ECB, warned that high wage settlements and lax fiscal policies could rekindle inflation pressures. However, he said further falls in import or producer prices could lead to an accompanying decline in euro-zone inflation, which stood at an annual rate of 0.8 per cent in December.

"Taking a forward looking perspective, the general environment continues to suggest that there are no significant upward or downward pressures on prices in the short term," he said.

The recent fall of the euro against the dollar was "a matter of puzzlement but not a matter for concern".

But he also said he would fight proposals for an exchange rate regime for the euro that might be inconsistent with the ECB's primary goal of price stability. He said the issue would be discussed at a meeting of the Group of Seven industrialised countries on February 20 in Bonn.

Mr Duisenberg said there had been signs of a slowdown in growth recently but that so far there were no "clear signals" that output growth had slowed by more than expected.

Overall gross domestic product continued to grow at a brisk pace in the third quarter last year, but was followed by a slowdown in the fourth quarter. Mr Duisenberg cited among the positive indicators continued increases in consumer confidence and a high level of retail and car sales.

However, he warned that the euro-zone economy faced continued risks from the global economic environment. "Given the mixed picture outlined above, the governing council emphasised that further thorough analysis and very close monitoring of underlying trends are needed before any conclusions can be drawn concerning the broad outlook for 1999 and 2000," he said.

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PAY OFFER SPURNED EMPLOYERS WARN OVER COMPETITIVENESS

German metal workers in fifth one-day strike

By Tony Barber in Frankfurt

Tens of thousands of German industrial workers staged a fifth day of warning strikes yesterday as their union leaders rejected an improved wage proposal from employers as far short of their demands.

Germany's largest trade union, IG Metall, called out workers in the states of Bavaria, Berlin, Brandenburg, North Rhine-Westphalia and Saxony after brushing aside an offer of an annual pay rise of 2.3 per cent, plus 0.5 per cent in one-off benefits.

The employers' proposal, made on Wednesday, represented a 0.3 percentage point increase in their original offer of a basic rise of 2 per cent. They say they cannot afford more without becoming uncompetitive and having to lay off workers. But Harald Schartau, IG Metall leader in North Rhine-Westphalia, Germany's most populous state, said an extra 0.3 per cent would give workers just DM10 ($5.80) more each month. "With that you can buy nothing more than a few bottles of water," he said.

Businessmen, trade unionists, independent economists and the European Central Bank are closely monitoring the dispute, because IG Metall's wage agreement traditionally sets the standard for settlements elsewhere in Germany, the euro-zone's largest economy. The ECB has made clear it will be reluctant to lower its main interest rate of 3 per cent if euro-zone wage settlements are in its view too high.

IG Metall, representing about 3m workers, originally asked for an increase of 6.5 per cent, but indicated on Wednesday for the first time in the dispute that it would probably have to accept less.

Employers say the union should remember that in 1995-96, when workers received an increase averaging 3.5 per cent, German employment and industrial competitiveness suffered serious damage.

The work stoppages so far have lasted only a few hours each day, but union leaders have suggested they may order longer strikes if no agreement is reached with the employers in talks resuming next Tuesday.

A metalworker blows a whistle during a protest in Düsseldorf AP

COLLUSION CLAIM COMMISSIONERS AND PARLIAMENTARIANS PROBE HIGH FEES AFTER RATES HAVE BEEN FIXED

Euro-zone currency charges under fire

By Emma Tucker in Brussels

Three European commissioners are to spearhead a campaign to stop banks charging too much when customers change currencies or send funds within the 11-country euro-zone.

The move, to be unveiled today, is backed by members of the European parliament who are investigating claims that banks are colluding to keep currency exchange fees high, even though exchange rates are now fixed.

Christa Randzio-Plath, chairwoman of the European parliament's monetary subcommittee, accused banks of failing to pass on to consumers cost savings introduced with the euro's elimination of currency risks.

"I want an investigation into the question of price cartels by both national authorities and by the European Commission. It could be that it is just a coincidence that fee structures are similar in any one country – or that there are price cartels operating on a country-by-country basis rather than across the EU," she said.

Nikolaus Boemcke, secretary general of the EU Banking Federation, said it was premature to talk about conspiracy but said it was possible that some bureaux de changes were abusing the changeover to the euro.

"We have submitted material to the Commission which shows that in the euro-zone there has been a clear reduction in charges," he said.

The banks argue that the costs of exchanging money used to be hidden in the spread between the buying and selling rate of a currency. That spread has been replaced by a one-off charge.

They argue that exchange rate risk accounted for only a small part of the cost of exchanging currency. Most of the cost came from other elements such as transporting notes and employing tellers. As a result, the drop in charges has been limited.

However, Emma Bonino, Mario Monti, and Yves-Thibault de Silguy, commissioners respectively for consumer affairs, the single market and monetary affairs, will today announce a scheme to put pressure on banks and bureaux de changes to lower charges.

It includes an e-mail address and a telephone number where people can report abuses (eurosignal@dg24.cec.be and 00 322 296 5608).

According to a survey conducted by the parliament's monetary committee, exchange fees range from 1 per cent at Spain's Banco Santander to 3.75 per cent at Germany's Commerzbank.

Gibraltar's fishing war not just a battle over mackerel and sardines

Ugly scenes during a blockade in Britain's headland colony are symptomatic of a wider and seemingly unending political dispute with Spain, writes **David White**

The American staying at the Rock Hotel had planned on going to Cyprus, but there was too much trouble there, she said. Gibraltar would be a nice quiet place instead.

Wrong. In recent days the compact placidity of Britain's headland colony on the southern tip of Spain has been rudely upset. The 30,000-strong community is still reeling from the events – a Spanish crowd's 16-hour border blockade, ugly scenes in Convent Place, a tiny central square where the governor's residence faces the Gibraltar government headquarters, and violence rarely seen in this hyper-sensitive British outpost.

The lights of Spain line the other side of the bay, but there is no way there except by the road crossing the airport runway to the single frontier post. There, cars have been waiting four hours to get out, past the deliberate slowness of Spanish officialdom, from one part of the European Union to another.

Friction is now at its worst since blatant contraband from Gibraltar in powerful outboard-motor launches was suppressed four years ago, putting an end to one of the less glorious periods of the Rock's history. Gibraltar cafe talk likens the latest border episodes to the intimidatory policies of Spain's Franco regime, which closed the frontier completely 30 years ago. It was another 16 years before democratic Spain opened it again to road traffic.

The immediate cause of the new upset has been fish. Gibraltar, which does no commercial fishing, has environmental legislation banning it in waters off the Rock. But until last year traditional Spanish fishing in the zone was tolerated.

The Spanish complain that Gibraltar authorities started clamping down, harassing boats. The Gibraltarversion is that there was a sudden change in the scale and kind of fishing, with "incursions" averaging several a day rather than several per month.

In the bay which British maps show as the Bay of Gibraltar and Spanish maps as the Bay of Algeciras, skirmishes have come close to turning nasty. Sir Richard Luce, the governor, has found a use for his "hot line" to Robin Cook, the British foreign secretary. Sir Richard, a former Conservative minister, and the first non-military governor, has stuck his neck out to ensure enforcement of Gibraltar laws.

Fourteen Algeciras fishermen were last week charged and released on bail after their boat - was run in and their nets and catch confiscated.

It may seem much ado about mackerel and sardines, but the fishing quarrel is more than a sideshow. It is a symptom of the wider and unending dispute about who the 6.5 square kilometre limestone promontory belongs to.

Gibraltar's claim to jurisdiction in territorial waters – three miles on one side, half way across the bay on the other – is considered by Spain to go beyond the terms of the 1713 Treaty of Utrecht, when Britain won rights over the Rock. That treaty covered "the full and entire property of the Town and Castle of Gibraltar, together with the Port, Fortifications and Fort thereunto belonging" – nothing about waters beyond the harbour, say the Spanish.

This week Peter Caruana, Gibraltar'scentre-right chief minister, braved local anger to patch up the quarrel by calling the fishermen in for direct talks. If the deal sticks, Gibraltar will go back to turning a blind eye to limited Spanish fishing as long as it does not go too close to shore.

But the climate for UK-Spanish conciliation over Gibraltar has not recovered from the setback of recent months. Abel Matutes, the Spanish foreign minister, has been talking tough, provoking attacks from Mr Caruana. The fishermen have acknowledged Gibraltar's authority, but Spain does not.

A regular special meeting of the two foreign ministers – in a process under way since the mid-1980s – has been put on ice. Both Madrid and London are worried lest Gibraltar should overshadow other issues when the prime ministers, José Maria Aznar and Tony Blair, attend a first bilateral summit, due this spring.

Spain is awaiting a formal reply to proposals officially lodged over a year ago for Gibraltar's return to Spain after an interim period of joint British-Spanish sovereignty. The proposals would eventually make Gibraltar a self-governing Spanish region, with provisions to preserve its tax privileges, special status within the EU and justice system, and without forcing people to change their British nationality.

Luce: stuck his neck out

A poll last year suggested only 2 per cent of Gibraltarians might be in favour, but the Spanish government insists that its sovereignty claim "can never be given up".

"Sovereignty is not our business," says Jorge Campos Udés, secretary of the fishermen's guild in Algeciras, where 20 boats depend on inshore fishing. "It's all the same to us."

Like the Gibraltarians, he is wary not to be too hopeful about avoiding more clashes. "The feeling is that this agreement is the only way towards a solution we have. It doesn't mean it's the end," he says. Overall, the atmosphere has worsened since last year. "There's been a step backwards."

Oslo SE launches remote trading

By Valeria Sköld in Oslo

The Oslo stock exchange will today do away with 117 years of tradition and launch a new screen-based trading system that will eliminate the need for dealers to work in the historic bourse.

The system will open up the exchange for remote trading by brokers abroad, where about 30 per cent of its investors are located. The exchange invested NKr90m ($12m) in the new system rather than update the old one to solve the Y2K or "millennium bug" problem.

It hopes the change will increase the liquidity of one of Europe's smallest exchanges and make it a more attractive alliance partner in the light of increasing competition between the exchanges.

"A new trading system gives us a better position if we want to choose a different alliance," said Nils Vogt, the exchange's senior vice-president for marketing.

On Monday, the exchange will hold a strategy meeting with its consultant, McKinsey & Co, to discuss proposals to link its equity trading either with the Stockholm and Copenhagen exchanges, which will launch the Norex alliance this summer, or with Frankfurt and London directly.

Kjell Fronsdal, the Oslo stock exchange president, said the exchange plans to decide on a partner in the first half of this year.

The ability to deal from outside the Oslo stock exchange has attracted several Swedish brokerage houses. The exchange expects UK members later.

NEWS DIGEST

EUROPEAN UNION WARNED

Budget freeze 'could jeopardise vital reforms'

Freezing the European Union budget at 1999 levels for the next six years could jeopardise vital reforms, Erkki Liikanen, the EU's budget commissioner, warned yesterday.

He issued the warning as he presented priorities for the EU's 2000 budget, including keeping spending commitments stable – though payments would increase due to a backlog in many areas – and recruiting more staff after criticism of the European Commission's management of some programmes.

EU states are preparing for intense negotiations aimed at getting agreement on the Commission's "Agenda 2000" proposals for reform of structural funds and the Common Agricultural Policy before the end of March. Countries including Germany, France and the UK are pressing to "stabilise" spending in the period 2000-2006.

Mr Liikanen warned that freezing agricultural spending at €40bn ($45bn) a year would make it impossible to undertake planned reforms involving cutting farm support prices and compensating farmers through direct aid. That would require higher spending in the middle years of the period.

"The real question is, is stabilisation of the budget more important than reform? If that is the case, then you can't have the reform," Mr Liikanen said.
Neil Buckley, Brussels

EXCHANGE CONTROL RULES

Russian airline investigated

Russian prosecutors are investigating possible breaches of exchange control regulations by officials at Aeroflot, the prosecutor-general's office said yesterday.

On Wednesday, the airline's chief executive, Valery Okulov sacked two top managers and ordered audits of key departments. The prosecutors' statement said a criminal investigation had been opened on January 18 into exchange control infringements and abuse of influence by "a number of Aeroflot officials". A spokeswoman for the prosecutor declined to give further details or to confirm that a police raid yesterday on a publishing company that prints the Aeroflot in-flight magazine had been part of the investigation into the airline. **Reuters, Moscow**

POLISH FARMERS

Talks on support and tariffs

Leaders of Polish farmers who have been blocking main roads for over a week yesterday started talks over demands for farm support payments and tariffs on food imports with government officials yesterday.

The talks came after the farmers agreed to suspend their protests over low farm incomes which saw the price of some items such as pork fall by as much as 35 per cent.

A national poll by the PBS organisation published yesterday showed that three quarters of all Poles think the government has done too little resolve the farmers' problems while just under half thought that the road blocks should stay in place. **Christopher Bobinski, Warsaw**

ROMANIA AND IMF

Move on loan conditions

Romania's government yesterday moved closer to fulfilling International Monetary Fund and World Bank conditions for new loans when it issued a decree transferring assets from Bancorex, the country's biggest and most troubled state bank, to a state agency. Bancorex accounts for 25 per cent of the Romanian banking market, but was understood to have some 11,000bn lei ($916m) of non-performing assets on its balance sheet before yesterday's decision.

The government yesterday issued an Emergency Ordinance by which 4,182bn lei of non-performing assets will be transferred from Bancorex, to the newly established state Agency for the Development of Banking Assets.

In exchange, Bancorex will receive a state bond of equivalent value that carries no interest and falls due by March 31 2000. The bond will be financed by a loan from the finance ministry.

The entire transaction will be dated December 31 1998. This will improve the look of Bancorex's 1998 balance sheet, and allow the state bond to be booked under last year's public borrowings.

Romania's risks defaulting on this year's foreign debt service payment of $2.9bn unless it secures new loans from the Fund and the Bank. **Joe Cook, Bucharest**

CROATIA CRITICISED

OSCE issues damning report

Croatia is failing to meet its commitments to liberalise the media, reform electoral laws and improve human rights, causing concern in the run-up to an election, the OSCE says in a damning progress report.

The 17-page paper prepared by the Organisation for Security and Co-operation in Europe (OSCE) identifies "a general stagnation in the process of Croatia's fulfilment of its international commitments".

Due to be presented to the organisation's permanent council in Vienna next week, it is the most critical of three reports the mission in the former Yugoslav republic has compiled. "Croatia has reached a crucial and delicate stage in the normalisation process," it says. "The country is a key actor in a region marked by increasing tension. . .The current stagnation in the fulfilment of international commitments should be of major concern."

But the OSCE also suggested continued dialogue with Croatian authorities on its integration into western institutions, combined with more funding and expertise – which should not be linked to political discussions or provided in ways "that might be open to abuse". **Reuters, Zagreb**

MIR STATION

Space mirror fails to open

Cosmonauts in the Mir space station failed yesterday to open a giant mirror intended to reflect the sun's light and illuminate dark corners of the earth from space, Russia's mission control said.

Officials said they now had to decide whether to continue their efforts today after the 25-metre Mylar mirror failed to unfold from a Progress supply ship which had undocked from the Mir.

"There is an emergency situation. The mirror is not unfolding," spokesman Vsevolod Latyshev said at Mission Control at Korolyov, just outside Moscow.

The mirror's failure cast doubts over the experiment intended to show whether such mirrors can light up the Russian north or other areas with dark winters. Sceptics say the experiment is doomed to fail. But the designers say a series of mirrors or one giant mirror could harness the sun to overcome darkness and even help boost agriculture by lengthening the day. **Reuters, Korolyov**

EU set to back space-age navigation system

By Michael Smith in Brussels

The European Commission is expected to recommend next week that the European Union spearheads the creation of a €2.5bn ($2.84bn) space-age navigation system.

The satellite navigation project would free the EU from dependence on US and Russian systems already in place and improve its industries' access to a market which the commission estimates will be worth €40bn between now and the year 2005.

It would also create tens of thousands of jobs, 20,000 alone to put the satellite infrastructure in place.

The system would centre on a network of at least 21 satellites transmitting signals to earth-bound receivers. The aviation and maritime industries already use satellite facilities provided by the US and Russia to improve navigation.

Car drivers are expected to become increasingly dependent on satellite technology for traffic information and route direction. Satellite navigation systems can be used by public authorities to cut vehicle congestion, as well as in life-saving rescue operations and oil exploration, and industries requiring precise measurements.

Neil Kinnock, transport commissioner, is expected to receive the backing of his 19 colleagues on the EU executive next Wednesday to initiate a public-private partnership expected to need €2.2bn-€2.95bn of investment by 2008.

Some €1.25bn could come from public funds by 2005, he suggests, mostly from EU transport and research budgets and from the European Space Agency.

The response of member countries is unpredictable, especially as governments are trying to suppress EU spending in negotiations for budget reform expected to reach a climax next month. Some ministers may argue that since the US and Russian services are free, there is little point in Europe initiating another system.

However both systems need up-dating for commercial use and Mr Kinnock believes reliance on a US-Russian duopoly could expose the EU to an unexpected levy of fees.

The US is not prepared to share development of its defence-based satellite system for military reasons, and EU participation in the Russian operation may be risky because of that country's economic problems.

Under the commission plan, non-EU countries, including Russia, would be encouraged to participate in the European project, partly to improve its financial viability.

Potential revenue streams include a levy on receivers and charges for a restricted access service providing guaranteed levels of performance.

EIB starts to raise its profile

By Peter Norman in Brussels

The European Investment Bank raised lending last year by 13 per cent to €29.5bn ($33.4bn) while borrowing jumped 30 per cent to almost €31bn, reflecting a policy of euro-directed funding to help the launch of the European Union's single currency on January 1.

Sir Brian Unwin, president of the EU's long term financing arm, said the EIB will have critical mass of euro debt of more than €50bn by the middle of this year.

The EIB, which describes itself both as the world's largest international borrower and the largest non-sovereign borrower in the 11 nation euro area, expects to borrow a further €30bn this year of which about 60 per cent is likely to be denominated in euros. Last year, the bank issued €15bn of benchmark euro-denominated bonds and "euro-tributary" bonds and implemented a €5bn global commercial paper programme.

The EIB expanded its activities in 1998 to provide venture capital in line with growth and employment decisions of the 1997 EU Amsterdam summit which charged the bank with providing risk capital for small businesses and investment in labour intensive projects.

Sir Brian said €580m of equity and quasi-equity financing was approved for high growth and innovative small and medium-sized companies, making the EIB "perhaps the largest single source of venture capital in the EU". Since November 1997, the bank has approved €3bn for education and health, €2.6bn for urban renewal and €1.3bn for environmental schemes.

Because the EIB has only a very small exposure to Asia and Latin America and does not lend to Russia, it needed to make no loan loss provisions last year.

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Critics find food package for Russia hard to stomach

Gesture of goodwill from US and Europe has sparked arguments over what form aid should take, writes **Andrew Jack**

Meagre supplies: women queue at a market in Moscow to buy cheap lard AP

As the US and the European Union finalise plans to ship large quantities of food aid to Russia, a senior diplomat at a western embassy in Moscow sums up the situation bluntly: "I don't know of a single person in this building who thinks it is necessary."

Over the last few days, officials in North America have been finalising the small print and starting to purchase and ship more than 3m tonnes of food in a package worth $950m. Their counterparts in the EU are preparing a further 1.8m tonnes valued at €470m ($534m).

Administrative delays and new measures designed to prevent corruption have stalled deliveries, originally pledged for the start of the year. They are now unlikely to arrive before mid March.

However, there is a growing debate about whether the food should be sent at all. In the last few months, there have been scare stories that Russia is facing its most severe winter in decades and the prospect of starvation. The Red Cross has launched a SFr25m ($17m) emergency appeal, and is gearing up for a smaller, second programme in the far north east of the country.

The European Commission says that Russian production levels for many crops are at the levels of the late 1940s. The US Department of Agriculture says the grain harvest last year was the lowest since the 1950s, and down from 88m tonnes in 1997 to less than 50m in 1998.

"Something has to be done to meet this shortfall," says Asif Chaudhry, minister counsellor for agricultural affairs at the US embassy. "We are basically responding to the Russian government's requests to provide food assistance." Bertrand Soret, spokesman for the EU in Moscow, says: "We came to the conclusion that the aid was justified."

But others are less convinced. Gennady Kulik, the Russian deputy prime minister for agriculture who formally requested the aid, said last November that the harvest was on a par with the average of the last 15 years.

"There is no shortage in this country," says one Moscow-based aid expert. "The US and the EU have different reasons for sending food, and the Russians are willing accomplices, but by no means is this a humanitarian effort."

He says aid would be best spent purchasing food within Russia to redistribute to poorer regions or on providing credit and assistance to Russian farmers.

There is no doubt that some Russians will face severe difficulties this winter: those in remote and poverty-stricken areas, and vulnerable groups such the elderly, sick and single-parent, multiple-child families. These are precisely the 1.7m people targeted in the Red Cross appeal. The problem for them is less the absence of food than insufficient money to buy it.

But the US and EU packages are not so tightly targeted. The latter will be sent to more than 40 destinations. Both rely largely on distribution by the Russian authorities, who will use part of the allocation to supplement the meagre rations in state-run hospitals, orphanages and prisons.

However, much of the aid has been earmarked to be sold at existing market prices. How that will operate in practice remains unclear. If prices are high, the food will remain unaffordable; if they are brought down by the new supplies, there is a risk of destroying what little local production there is.

There is also concern about corruption, which has brought pledges of increased monitoring by the US and the EU. Mr Kulik faces allegations by a judge of personally benefiting from the last important food aid programme in 1991, although he denies the charges.

Significantly, Canada has chosen to by-pass the process by flying part of its own more modest C$2.5m (US$1.6m) aid package directly to north-eastern Russia. But it has given the bulk to the Red Cross in cash, which purchases food and goods locally and distributes them using its own well-established networks.

The action is exceptional. Some Red Cross officials fear criticism of the EU and US programmes has affected its own appeal, which has so far only raised half the money it sought. It has also twice been turned down by the EU's humanitarian fund, which pointed to the effort being made separately by the food programme.

While the US and EU aid programmes will certainly help some Russians in difficulty, they have left a bad taste in the mouth of many. As one technical assistance expert puts it: "What was meant to be a gesture of good will has been hammered. After all the criticism, the results can only be better than the expectations."

Sweden to cut defence spending by more than 10%

By Tim Burt in Stockholm

The Swedish government is planning to cut defence spending by more than 10 per cent, or SKr4bn ($512m) a year, after a decline in perceived military threats in the Nordic and Baltic Sea region since the collapse of Soviet communism.

Sweden's armed forces are expected to scale back conscription and reduce the number of army brigades, air force divisions and naval vessels as part of the cuts, due to come into force in 2002. The country's defence chiefs, however, are likely to warn that the measures will hamper their ability to defend Sweden – which retains non-aligned status – in the event of a regional conflict.

"In the next two to three years, it could also lead to closures in important sectors of our defence industry such as anti-tank weapons, air defence missiles and electronic warfare," said one senior officer, who declined to be named.

Nevertheless, the Social Democratic party said it would put the proposed cuts to parliament after securing support from the small opposition Centre party for the policy – involving a total spending reduction of SKr12bn between 2002 and 2004.

Although the SDP government cannot rely on a parliamentary majority – even with centre party support – opposition parties remain split on defence spending. The conservative Moderates, led by former international peace envoy Carl Bildt, want to maintain defence spending while the green and former communist Left parties favour deeper cuts.

The move follows a steady decline in Sweden's military strength in recent years and signals the possible end to the long-term policy of "armed neutrality". In the past 10 years, the number of army brigades has been cut from 29 to 13; conscription has fallen from 47,000 to 21,000, while the air force has been trimmed from 27 to 13 squadrons.

But the cuts will not affect existing orders for new military equipment, including a requirement for more than 200 JAS-Gripen fighter jets manufactured by Saab Aerospace.

Swedish defence industry analysts said the proposals showed the government no longer believed that a large standing army was necessary. They predicted that smaller, better equipped Swedish armed forces would take part in more international peacekeeping roles.

Government officials emphasised that the cuts did not signal any change in attitude towards conscription or on Sweden's decision to remain outside Nato.

Impeachment likely to end within week

By Mark Suzman in Washington

The US Senate yesterday looked set to dismiss a final appeal by Republican prosecutors to allow live witnesses in President Bill Clinton's impeachment trial and approve a new plan to wrap up proceedings by the end of next week.

Trent Lott, Senate majority leader, outlined a tentative timetable that would call for both sides to present evidence and give closing arguments tomorrow and Monday. The Senate would then begin deliberations on the charges that Mr Clinton committed perjury and obstructed justice in covering up his affair with Monica Lewinsky, with a vote as soon as next Thursday.

However, Mr Lott admitted proceedings could still be held up by an unresolved disagreement between Republicans and Democrats over possible alternative punishments for Mr Clinton that would allow senators to express their disapproval of the president's actions even if, as expected, they vote to acquit him.

Despite the fact that this week's depositions of the former White House intern Ms Lewinsky, Vernon Jordan, a friend of the president, and Sidney Blumenthal, a White House aide, appeared to generate little new information, the House trial managers formally requested the Senate to call Ms Lewinsky to testify in person so they could assess her credibility.

But Mr Lott indicated that while senators would probably allow portions of the videotapes of the depositions to be used by White House lawyers and trial managers in their presentations, he did not think there was support for additional testimony. "It does not appear that the votes are there for live witnesses," he said.

Republicans also began circulating a draft "finding of fact" resolution that would in effect find Mr Clinton guilty of the charges without directly accusing him of criminal action.

Because it requires only a simple majority to pass, the motion could be made part of the trial record even though the formal vote on the impeachment articles is almost certain to fall short of the two-thirds majority required to convict the president.

But Tom Daschle, Senate minority leader, dismissed the idea as unconstitutional, and Robert Bennett, a Republican senator for Utah, admitted that without support from at least five Democrats, the idea was probably not succeed.

Mr Daschle said Democrats would instead submit a censure resolution condemning the president's actions. However, even though the wording would probably be very similar to the finding of fact plan, because the resolution would only be debated after the final vote on Mr Clinton's guilt and could be revoked by a future Congress, Republicans are reluctant to agree to the proposal.

Clinton's advisers see more economic growth

By Stephen Fidler in Washington

President Bill Clinton's Council of Economic Advisers yesterday expressed confidence that the current US economic expansion could become the longest on record and described how it had reversed a long-term trend of declining wages for low-paid workers.

The annual economic report of the president, officially sent to Congress yesterday, said the economic expansion which began in 1991 was already the longest in peacetime and was the second longest since records began in 1854.

If the expansion continues beyond next February, it would become the longest on record, surpassing the 106-month expansion of the 1960s which was fanned by spending on the Vietnam war.

"There is no apparent reason why this expansion cannot continue," the report said. "Expansions do not die of old age. Instead, postwar expansions have ended because of rising inflation, financial imbalances or inventory overhangs. None of these conditions exist at present. The most likely prognosis is therefore the same as last year's: sustained job creation and continued non-inflationary growth."

The report's forecasts are embedded in the budget, unveiled by the administration on Monday. It forecasts that real growth will slow from 3.9 per cent last year to 2 per cent this year, and until the end of 2001, while consumer price inflation will also accelerate slightly to 2.3 per cent for the three years.

It contrasted the current expansion with that of the 1960s and the "Reagan boom" of 1982-90, now the second longest peacetime expansion. Both of these previous examples were characterised by stimulative fiscal policy, unlike the current one where fiscal policy had been contractionary. "The current expansion has been distinguished by the large contribution of private fixed investment to GDP and the negligible contribution of government spending," the report said.

Current expansion could become the longest on record

Unlike the other expansions where lower unemployment had been associated with higher inflation over time, the current expansion had produced both lower inflation and lower unemployment.

The report also concluded that the expansion meant that "low wage and minority workers are enjoying some of the best labour market conditions they have seen in decades". It said income inequality had not increased since 1993 and the poverty rate had fallen.

Real hourly wages for the lowest paid men and women had risen since 1993, benefiting minority workers who were heavily represented among low wage groups. "After years of decline, the real wages of black men began to increase in 1993; they have risen by 5.8 per cent since 1996 alone."

The unemployment rates for blacks and Hispanics in 1998 were the lowest recorded, though still unacceptably high at 8.9 per cent for blacks and 7.2 per cent for Hispanics, compared with 3.9 per cent for whites, the report said.

Even young minority workers, whose wages suffered the greatest falls in the 1980s, had been helped. Unemployment among black youth between 16 and 24 was 20.7 per cent, lower than in any year since records began in 1972. Median real wages of young black males aged 16-24 rose by 6.2 per cent last year alone.

Median real wages of Mexican and Central American born immigrants had also risen, by 6.8 per cent for men and 3.8 per cent for women since 1995.

The report also suggested the expansion had played an important role in falling crime rates.

Big list of tax rises, little hope of passing

By Deborah McGregor in Washington

Samuel Johnson's thought about second marriages being the triumph of hope over experience holds equally true in the arcane world of US budgeting.

For months, presidential tax-writers laboured over the fine print of dozens of tax changes to be included in President Bill Clinton's budget. They carefully tallied up the expected revenue gains and losses and weighed the impact on the economy.

The hope, at least among the president's economic team, was that the specific tax increases, combined with the closing of several corporate tax loopholes, would yield more than $80bn in federal revenue over the next five years.

Experience would suggest otherwise.

Many of the tax provisions are hardy perennials that have sprung up in past presidential budgets, only to wilt on the congressional vine. Last year, Congress did not take up most of Mr Clinton's suggested tax increases. This year, with the Republican-led Congress more enthusiastic about cutting taxes than raising them, there appears to be little prospect of Mr Clinton's tax raises becoming law.

Why, then, did Mr Clinton go to the trouble of drawing up his shopping list? The short answer is that he had no choice. Under strict "pay as you go" budget rules, enacted in the era of big federal deficits, policy-makers must explicitly state how they will pay for any tax cuts they propose.

Mr Clinton's budget called for billions of dollars in tax relief over five years, including tax credits for child care, education and medical care that he wants passed. Under the rules, he had to say how he would pay for them.

Among the tax increases

Cigarette tax rise among proposals likely to fail

considered least likely to succeed is Mr Clinton's proposed 55-cent-a-pack increase in the tax on cigarettes. Last year, Congress rejected the administration's proposal to raise the cigarette tax by double that amount. This year, with the federal treasury awash in surplus cash, the tobacco measure, which would yield $34.5bn over five years, is considered by most budget analysts to be a non-starter in Congress.

Republicans have identified more than 30 tax increases in the budget that they say are recycled failures from past years. Among those is a $8.5bn proposal to re-instate so-called "Superfund" taxes on companies for environmental clean-up. Another is Mr Clinton's proposed repeal of the "export source rule" that would increase the tax burden on international transactions by US corporations.

By contrast, one measure that appears to stand a good chance of being approved is Mr Clinton's proposal to close a corporate tax loophole known simply as Section 357(c). This law has allowed companies greatly to inflate the write-offs they realise in transferring assets within a corporate group, in ways not intended by federal policy-makers.

Bill Archer, the chairman of the House's tax-writing ways and means committee, shares the president's zeal for closing this loophole and last October he introduced legislation to do so. It did not survive the end-of-session chaos in Congress. But Mr Clinton made his own budget proposal retroactive to October.

Another budget proposal that is making waves in the corporate community, but expected to encounter serious resistance in Congress, is a provision to curtail the aggressive marketing of corporate tax shelters.

Mr Clinton wants to slap harsh new penalties on companies to deter a growing band of tax shelter hustlers who have inundated federal tax authorities with cases designed to test the boundaries of corporate tax law.

NEWS DIGEST

WEAKEST YEAR SINCE 1991

US new factory orders rebound in December

New orders to American factories rebounded in December but 1998 still enters the record book as the weakest year for improvement in manufacturing since the recession of 1991. Orders jumped 2.3 per cent in the last month of the year, to a seasonally adjusted $343.5bn, the Commerce Department said yesterday. It was the biggest increase in 13 months.

However, orders for all of 1998 – $4,030bn – were just 2.1 per cent higher than the year before. That compared with a healthy 5.4 per cent gain in 1997 and was the weakest year since orders posted a 2.3 per cent decline seven years earlier. The weakness was particularly pronounced at blast furnaces and steel mills, which are competing with steel imported from Russia, Brazil and Korea.

Their orders fell 12.5 per cent, the biggest fall in at least 15 years. And the rise for aircraft was just a 0.2 per cent gain over 1997. **AP, Washington**

BRAZIL AND IMF

Emergency talks continue

The Brazilian government completed its fifth day of negotiations with the International Monetary Fund yesterday with few signs that the two sides were close to agreeing revised terms for a $41.5bn emergency financing package.

Stanley Fischer, deputy managing director of the IMF, was expected to leave Brazil last night after leading the talks since Tuesday. Brazilian ministers had hoped his presence would accelerate the pace of negotiations.

Brazil signed a financing deal with the IMF and other international institutions in November, in an attempt to stave off a currency crisis, and the government has already drawn down around $9bn.

However the government was forced to let the currency float on January 15 after suffering a fourth speculative assault in 18 months. **Geoff Dyer, Brasilia**

PINOCHET CASE

Lords hearing ends

The UK's most senior court yesterday ended its hearing into whether General Augusto Pinochet, the former Chilean dictator accused of crimes against humanity, should be granted immunity from prosecution. The House of Lords reserved its judgment and gave no indication when it will be delivered. However, lawyers close to the case do not expect the seven Law Lords to announce their decision for some weeks.

The hearing is the second held by the Law Lords to decide whether Gen Pinochet should be sent to Spain to face trial accused of crimes including torture, hostage-taking and conspiracy to murder during his period as head of state in Chile. **John Mason, Law Courts Correspondent**

On the web today

- Colombia needs the big oil companies back
- Venezuela may curb agricultural imports
- Microsoft embarrassed by case of vanishing icon

http://www.ft.com/americas

CONCESSION ON PROFITS REPATRIATION

Malaysia to ease rule on share deals

By Sheila McNulty in Kuala Lumpur

Malaysia's government yesterday caved into pressure and lifted a controversial ban on foreigners withdrawing the proceeds of share sales from the country before September 1.

Daim Zainuddin, finance minister, announced yesterday that investors could now take out their funds before September but must pay an exit tax on the principal.

Malaysia's controls, imposed last September, as part of a package of measures, have stabilised the currency and encouraged world leaders to take seriously the country's concerns about the need to regulate capital flows, but they have infuriated equity investors.

Since controls were imposed, foreign investment in the share market has ground to a halt, and much of the foreign and local brokerage community has withdrawn or cut staff, ending Malaysia's long-term dream of becoming a regional financial centre.

Loosening the controls was politically risky for Mahathir Mohamad, the prime minister, who announced them personally and has held foreign investors responsible for the recession in Malaysia.

Mr Daim sought to maintain Dr Mahathir's nationalistic tone by inviting only Malaysian journalists to be briefed on the change.

But the change in the regime is still a clear response to foreigners' complaints, and follows recent high-level briefings of foreign investors by the Malaysian authorities, in an attempt to woo them back.

According to the finance ministry, the new exit tax on principal will be on a sliding scale from 30 per cent for funds repatriated within seven months from the date of the investment or when the controls began, down to zero for principal repatriated after September 1.

From September, only profits on equity investment will be subject to a 10 per cent repatriation levy.

A different regime will apply to investments made on or after February 15 this year. A 30 per cent tax will be levied on profits from these investments, if the profits are withdrawn within a year, but there will be no tax on principal.

If the profit on these investments is repatriated more than 12 months from when the profit was made, the levy will be reduced to 10 per cent. Analysts said some fund managers, trapped in Malaysian investments since the controls were introduced, would probably leave immediately.

A number of funds are not allowed to invest in countries such as Malaysia, which are not part of main world stock market indices. But the same analysts believe many fund managers will choose to wait until September 1, when they can leave without paying taxes.

That leaves open the possibility of a mass exodus of funds on that date.

Estimates of the amount of foreign money in the market vary considerably, though many put it around $6bn. If the bulk of those funds were to leave at once, economists say that would put extensive pressure on the government's ability to maintain the ringgit peg at M$3.8 to the US dollar, the centrepiece of the controls.

Some analysts believe that the change to the share market restrictions might be *enough to get Malaysia back* on major indices so investors can stay.

But Song Seng Wun, regional economist at G.K. Goh Research, said: "Sentiment hasn't changed much. This is essentially a fine-tuning of existing regulations. Capital controls remain in place."

Chinese products seen in 'oversupply'

By James Kynge in Beijing

China announced yesterday that two-thirds of its key manufactured products were in oversupply and none in short supply, as it set forth ways to tackle sluggish consumer demand and address some of the pressures that have arisen from its decision not to devalue its currency.

Official newspapers said yesterday that the production of some 114 low-quality manufactured items should be slowed or halted over the next few months as a way of reducing inventories, which have depressed prices and slashed corporate profits.

Many of the goods named, such as steel, petrochemicals, textiles and construction materials, have suffered sales declines because of competition from smuggled imports made cheaper by the depreciation of regional currencies against the renminbi since mid-1997.

Beijing's hope is that it can disperse some of the pressure for a devaluation from hard-hit industries by intensifying its fight against smuggling, and urging companies to cut production, in the expectation that a consequent rise in domestic prices can reverse 14 straight months of deflation.

The China Economic Times, a newspaper run by the State Council or cabinet, said that 66.7 per cent of 605 key manufactured products in China were in oversupply, up by 38.7 percentage points since the second half of last year. No goods were found to be in short supply, government researchers said.

World oil prices have declined to levels significantly below China's subsidised domestic price, meaning that petrochemical plants are anxious to buy smuggled oil to use as a raw material to cut costs. This hits domestic oil producers and *is of little use as China's* petrochemical output is in oversupply and is still more expensive than that of regional competitors, who have benefited from depreciation of their currencies.

Officials said last month that petrochemical plants in China should scale back production. The government also announced this year plans to halt investment in new steel plants, and to close down 25,800 coal mines with the loss of 400,000 jobs. Many textile factories are also due to shut.

Cement and glass production is also expected to fall significantly this year, as many factories close.

But though such measures appear likely to alleviate oversupply, they may have little power to stimulate spending by consumers, who are fearful of unemployment and anticipating increased future costs as China rolls back its benefit system.

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Internet telephony licences promised

By James Kynge in Beijing

China's telecoms ministry retreated yesterday from previous expressions of outrage over internet telephony in China, saying licensed companies would be permitted to offer low-cost international calls over the internet sometime later this year.

But Wu Jichuan, the minister of information industry, insisted that the responsibility for licensing internet telephony operations belonged solely to the ministry, which he said was responsible for ensuring the development of a strong, dominant state carrier, China Telecom.

Another senior ministry official, Zhang Chunjiang, accused foreign companies of colluding with illegal Chinese firms to offer internet telephony services, which cost China Telecom "billions of renminbi" in lost revenues last year.

"This is tantamount to information smuggling... We will crack down very harshly on these illegal internet phone operations," Mr Zhang said.

He said business licences for internet telephony services would be provided later this year, but he did not say which companies would receive them. Analysts suggested that Unicom, the second state carrier, could be granted a licence.

Last month, a court in the south-eastern province of Fujian ruled that a local shop offering international internet calls was not acting illegally because internet technology differs from traditional telephone services. The ministry of information industry fulminated against the ruling, and claimed that the judge did not know what he was doing.

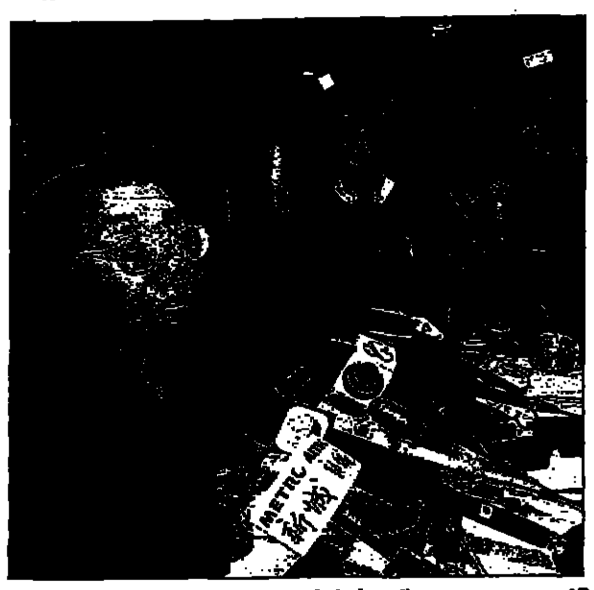
In the past, such a powerful ministry would probably have been able to prevail against a provincial court decision, but China's top leaders now say they are building the "rule of law". "We respect the court's judgment in this case," Mr Zhang told a news conference.

One internet telephony operator in Fujian said he had been emboldened by the court decision and was now *advertising his product* openly in newspapers. "It costs RMB 1.2 (14 cents) per minute to call America, compared with RMB 18 with China Telecom," said Zheng Yun Fei, who was installing the technology for 300 corporate clients. But, Mr Zheng said, there were problems with local officials, who argued his business was unlicensed and therefore unlawful.

Analysts said the threat to *China Telecom was considerable.*

HK 'public interest' a factor in the sparing of Sally Aw

Top law official's concerns for Sing Tao group's well-being are not echoed in other parts of the territory, writes **Louise Lucas**



Sally Aw: she was born to riches only to lose them AP

Hong Kong's top legal official yesterday defended her decision to prosecute three newspaper executives for fraud but not its proprietor.

She said there was not enough evidence to charge Sally Aw, chairman of the group that owns the *Hong* Kong Standard. There had also been public interest concerns about the survival of Miss Aw's publishing group, Sing Tao.

The three executives were imprisoned last month after being found guilty of fraud when they inflated the circu*lation figures of the Stan*dard by printing extra copies and dumping them.

A public outcry followed, amid accusations that good connections had put Miss Aw above the law. Miss Aw serves on a political advisory body to Beijing, and Tung Chee-hwa was a director of Sing Tao before he became Hong Kong's chief executive.

Elsie Leung, secretary for justice, yesterday sought to allay those concerns, which *had intensified* with the leaking of interview documents from the Independent Commission Against Corruption. The anti-graft body had uncovered the scam in the first place.

In these interview transcripts, Mis Aw said she approved the plan to inflate circulation figures, although adding that the method was not discussed. Yesterday, Miss Leung said this partial disclosure of statements was unfair to Miss Aw.

Far from obstructing public interest by not prosecuting, Miss Leung said her decision was in part based on public interest. Sing Tao then, as now, was facing financial difficulties, and a prosecution would be an obstacle to restructuring, she said.

"If the group should collapse, its newspapers (which include one of only two English newspapers in Hong *Kong) would be compelled to* cease operation. I wish to add that several other newspapers had folded in late 1996, 1937 and 1998.

"Apart from the staff losing employment, the failure of a well-established, important media group at that time could have sent a very bad message to the international community."

The message delivered yesterday was unpalatable to many. Margaret Ng, the leg*islator chairing the panel* which met with Miss Leung yesterday, said during the hearing: "I cannot help feeling, if this is the sort of thing the secretary for justice would consider, then how would that not give people in that sort of position an advantage over the ordinary man who had no ability to employ anyone?"

Miss Leung's concerns for the well-being of Sing Tao have not been echoed in other parts of Hong Kong. On Tuesday, the High Court blocked the latest attempts to sell a stake of the company, by refusing the buyer a validation order.

That Miss Aw needs a court order to sell a 23 per cent stake in Sing Tao is a measure of how far her fortunes have fallen: bankruptcy petitions have been filed against her, and under Hong Kong laws she is not completely free to sell her own assets.

Miss Aw is one of the minority of Hong Kong's tycoons to have been born to riches, only to lose it: the more common model is that of Li Ka-shing or Jimmy Lai, refugees who arrived penniless in Hong Kong and went on to amass huge fortunes.

Miss Aw inspires little of the respect or warmth some of her fellow-tycoons enjoy. One insider critic describes her as "the empress dowa*ger: within her own rhetoric* she is very effective but completely misunderstands the modern world and conduct of affairs".

Ill-timed forays into Australian real estate and peripheral businesses have bled the group, which is now down to one non-core business, a small dental practice.

Past deals show the hallmarks of ill-conceived investments and have fallen foul of *regulators. The acquisition* of a stake in Jademan, a loss-making publishing company, shows both.

Sing Tao and Miss Aw – hybrid vehicles combining the public and private companies are typical of Miss Aw – were found to have breached the territory's takeovers and mergers code by acting in concert with the former chairman of Jademan to obtain or consolidate control in Jademan.

More recently, last year Miss Aw received an unsecured loan of US$1.5m (£914,000) from a Sing Tao subsidiary, without seeking independent shareholders' approval or announcing the deal – an oversight which contravened Hong Kong listing rules.

When it came to light, the loan, plus interest, was repaid. Sing Tao is now being hammered by events *beyond its control*: a falling property market and recession-induced belt tightening.

For a newspaper that specialised in property (formerly a lucrative source of advertising revenue and readers), this has been a "double whammy".

The Standard, which turned in a modest profit last year, has long lost money and fought a losing battle against the stranglehold enjoyed by the South China *Morning* Post. It was against this background that the scam to boost its circulation was conceived.

Miss Leung, in her decision not to prosecute, may have helped keep afloat the 61-year-old Sing Tao Group. Whether bankers and investors will be as considerate remains to be seen.

Beijing drafts new laws governing bankruptcies

By James Harding in Shanghai

China's central bank is drafting rules to govern the failure of financial institutions, in a sign that the government may be preparing to handle more closures.

The move on closures and bankruptcies, reported in the official Economic Daily yesterday, suggests Beijing is *coming to grips with the* destabilising effects on lending of its abrupt decision last October to shut down Guangdong International Trust and Investment Corporation (Gitic).

At the same time, foreign bankers have run into trouble with loan repayments by another two corporate Chinese borrowers, further illustrating how companies in China are struggling amid a *tightening credit squeeze.*

Shenyang International Trust and Investment Corporation, a fund-raising vehicle for the north-eastern Chinese city struggling with the closure of state-owned industries, has defaulted on a number of bilateral loans with foreign creditors. Meanwhile, European bankers said yesterday other overseas lenders were negotiating to recover funds on a *$30m loan to China Interna*tional Iron and Steel Investment Corporation, a government investment agency for the industry.

Foreign bankers, whose loans account for the bulk of Gitic's $4.37bn outstanding debts, have generally stopped new lending to corporate Chinese borrowers and sought to claw back funds by refusing to roll over short-term loans.

*Mike Murad, chief execu*tive of the International Bank of Asia, said this week that IBA's lending to China had come to a standstill. "Banks right now are facing difficulties as far as how they are going to handle China," he said, suggesting that no new loans would be made until the regulatory environment was clarified.

Two of the largest interna*tional banks operating in China are also understood to* have been told by their head offices in Japan and Germany that no new loans to Chinese borrowers will be approved for the time being.

Shenyang Itic, one of the 239 trust and investment companies that have been a channel for foreign investment into the construction of China's provincial infrastructure, offered little comment on its debt repayment *problems. An official said* the company had been in discussions with creditors "on the payment delay of very few debts... On the issue of whether we can repay our debts, to be honest, it is not convenient to answer that question."

Foreign bankers have also sought assurances from central government that they will be repaid after problems arose on a loan to China *International Iron and Steel* Investment Corporation.

Indian current account 'worsening'

By Mark Nicholson in New Delhi

India is headed for its worst current account performance since the external crisis of 1990-91, which forced the country to embark on liberalising reforms, according to a leading economic think-tank in Delhi.

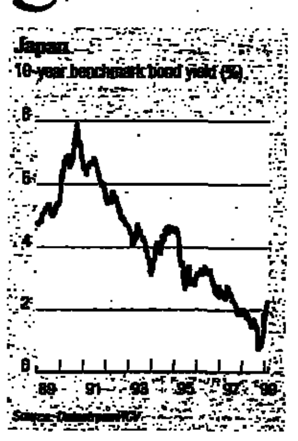
A "considerable worsening" of India's trade deficit looks set to leave an $8.8bn current account deficit for the fiscal year ending next month, says the semi-independent National Council of Applied Economic Research (NCAER). This would push the current account deficit beyond the "prudent" threshold of 2 per cent of gross domestic product to the highest level since 1990-91.

The NCAER says in its latest quarterly report that expected export growth of just 2 per cent this year – the figure for the first 10 months is so far negative – and a likely 6 per cent growth in imports will leave a trade gap of $18.6bn against $16.3bn a year earlier. This would represent an "alarming" trade deficit above 5 per cent of GDP.

The council's report notes that much of the blame for India's poor trade performance lies in slowing global trade since 1996 and the Asian crisis.

Pressure builds up for BoJ to buy government bonds

By Gillian Tett and Michiyo Nakamoto



When Masaru Hayami, Japan's central bank governor, was called to testify to the country's parliament yesterday, historians might have felt an ominous sense of *déjà vu*.

Sixty years ago, in the run-up to the second world war, Japan's central bank was forced by politicians to buy Japanese government bonds (JGBs) to fund a spending spree.

This triggered a disastrous inflationary spiral, and later prompted the government to ban the Bank of Japan (BoJ) from buying bonds directly from the government.

But yesterday, Mr Hayami was faced with pleas from some Japanese politicians that the BoJ should do just that. The question mesmerising the markets is whether the bank will succumb to the pressure a second time, with similar, risky consequences.

Mr Hayami insists that the answer is No. Buying JGBs directly "is not a viable option at all", he told parliament, insisting that the move would shatter the bank's credibility after it won independence last year.

But the pressure on Mr Hayami is rising fast, as bond yields tumble.

The bank is already facing accusations that it has not done enough to boost growth in Japan. "The BoJ is slacking," says Kozo Yamamoto, an LDP parliamentarian and a former finance ministry bureaucrat.

More specifically, Ichizo Ohara, a politician from the ruling Liberal Democratic party, has asked the bank to consider purchasing up to Y5,000bn ($44bn) in JGBs for two years.

Osamu Watanabe, vice-trade minister, yesterday also called on the bank to consider the idea if long-term interest rates fluctuated wildly. Japanese officials admitted that the concept had been discussed with their US counterparts at Davos.

Such demands have been triggered by two factors. One is a recent announcement that the Trust Fund Bureau, an arm of the Finance Ministry which manages postal savings, will soon stop buying JGBs because of a looming funding squeeze.

This announcement has already pushed bond prices *sharply lower, as the bureau* has traditionally been a key JGB purchaser. Some politicians want the bank to fill the gap, to avert further bond price falls before the end of the 1998 fiscal year.

A second, broader reason is that Japan seems to be moving into a deflationary trap. The bank cannot easily avert this by slashing the official interest rate, as this is a mere 0.5 per cent.

But economists point out *that if it buys JGBs it* might create inflation, since this would give the government more "cash". This, the argument goes, could boost growth overall, and help soften the spiralling national debt burden.

As one senior government official recently admitted: "I think in the long term a little inflation may be the best solution."

The bank retorts that creating "a little inflation" is extremely risky. For what started as a limited step in the 1930s rapidly spiralled out of control, with politicians using it as an excuse to raise spending further.

"This would be a huge gamble," one senior bank official recently said. "If you lose central bank credibility, it will take another 50 years to recover it."

Outside the bank, many of Japan's naturally conservative bureaucrats would agree.

If the bank did this, "the message to the markets would be that the BoJ has abandoned its responsibility, and interest rates could rise further or the yen could collapse," says an official at the Ministry of International Trade and Industry.

Given this lack of consensus, most observers suspect that Mr Hayami can fend off the politicians' demands for the moment. Some are suggesting that the bank's next move will be to offer token gestures of "alternative" action.

One idea is that the bank *should lower* interest rates to zero soon.

Another proposal is that it should "reshuffle" its balance sheet, by selling some of the Y20,000bn in government short-term securities that it holds, and replacing them with 10-year JGBs bought from the market, rather than the government.

But if the economy worsens later this year, this may not be enough to fend off the politicians' demands, despite Mr Hayami's obstinate nature.

As most bureaucrats know, another hallmark of the 1930s was that the finan*cial officials rarely stayed in* their posts long.

Mr Hayami could yet prove dispensable, given that he is already 73.

As Brian Rose of Warburg Dillon Read says: "With an election looming [next year] and growing pressure from the rest of the world, we can envisage a scenario where Governor Hayami steps down to make room for someone with a more 'flexible' attitude".

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CIVILIAN GOVERNMENT DUE IN MAY

Nigeria bows to IMF on oil company audit

By Michael Holman, Africa Editor, in London

Nigeria has for the first time accepted external auditing of the accounts of the state-owned oil company as a condition of the country's new provisional deal with the International Monetary Fund.

The military government, due to hand over to civilian at the end of May, will also provide the Fund with monthly figures of foreign exchange flows to and from the country's central bank.

The pledges, intended to address creditor and donor concerns about corruption and to tie in the proposed civilian administration to transparent government, are among terms set out last month in a policy memorandum to Michel Camdessus, the Fund's managing director, from Ismaila Usman, Nigeria's finance minister.

A memorandum from Mr Usman to the IMF goes to the country's military executive shortly, and although it is expected to be approved, Fund and other officials warn that implementation will encounter strong opposition from vested interests.

Oil exports of just under 2m barrels a day account for 95 per cent of foreign exchange earnings, and the sector directly or indirectly provides much of the patronage that controls the country's political system.

The document warns the country faces "daunting challenges", with a 1.6 per cent fall in gross domestic product forecast for this year.

Low prices saw oil earnings fall from $14.9bn in 1997 to $9.8bn in 1998, and the current account trade balance swung from a surplus of $1.9bn to a deficit of an estimated $3.1bn (9.1 per cent of GDP) over the same period.

External debt at the end of last year was stood at an estimated $28.6bn, including $17.7bn arrears, almost entirely to Paris Club creditors.

The memorandum places emphasis on ways to convince the Fund, and sceptical creditors that Nigeria is determined to put its house in order and pave the way to debt rescheduling and fresh loans.

Recognising the need for what it calls "greater transparency", the memorandum promises to bring the notoriously lax management of the Nigerian National Petroleum Corporation under what would be unprecedented public scrutiny.

"Externally audited accounts for 1998 will be completed and submitted to the office of the Auditor General by June 1999, and published shortly thereafter," says the memorandum.

"A full accounting of the upstream and downstream operations in 1998 of the NNPC, including all oil revenue and related spending, will be published."

The memorandum also promises that "information fully accounting for foreign exchange inflows to, and outflows from, the Central Bank of Nigeria (with large transactions separately identified) will be provided to the IMF each month during 1999".

In addition to allowing close Fund monitoring of the NNPC and the bank, the memorandum says the government "intends to conduct, with the assistance of the IMF, a thorough review of the laws establishing the main principles and institutions" of government by the end of May, the date set for the handover to a civilian administration.

Oil exports account for 95% of foreign exchange earnings Panos

Dutch to probe El Al crash

By Jeremy Gray in Amsterdam

The Dutch government yesterday launched a fresh inquiry into allegations that the El Al jumbo jet which crashed into an Amsterdam suburb more than six years ago was carrying a dangerous load, including substances used to make sarin nerve gas.

The latest probe comes amid mounting concern that the Dutch authorities – which had long insisted that the cargo was harmless – had tried to hush up its exact contents. Since the 1992 disaster, which claimed at least 50 lives, hundreds of people in the area have suffered health problems, some of them similar to those experienced by soldiers exposed to chemical weapons in the Gulf War.

Mr S. Koopmans, Amsterdam's chief air traffic controller at the time, told a parliamentary inquiry on Wednesday that transcripts of a taped conversation revealed El Al, the Israeli state airline, had informed Dutch aviation authorities within 30 minutes of the crash that the Boeing 747 had "explosives on board, cartridges, poison, harmless flammable gases and flammable liquids". Mr Koopmans added that half an hour later, El Al suddenly urged the Dutch control tower to keep the cargo list "under wraps".

Suspicions were further fuelled when it was disclosed that the recording, which was handed to the committee two weeks ago, had been tucked away in a Schiphol airport safe for the last six years.

Mr Koopmans' claims were later denied by both El Al and F. Erhart, head of the initial probe at the scene of the disaster, who testified that he had found no traces of dangerous substances on the flight, which was bound from New York to Tel Aviv via Amsterdam. Moreover, Mr Erhart maintained that the matter was "based on a misunderstanding" and that the air bills had probably been muddled with those from an earlier El Al flight, which he said unloaded munitions in Amsterdam.

The parliamentary inquiry was set up late last year after Dutch media reports that the load included ingredients to produce sarin nerve gas.

The Israeli authorities later confirmed that the cargo included the chemical DMMP, which is used in making sarin, but asserted that the substance itself was non-toxic.

Yesterday, justice ministry officials in Amsterdam and Haarlem launched a separate investigation to determine whether there was a conspiracy to conceal the contents of the shipping list. This probe will also concern itself with other issues such as the missing cockpit recorder.

'FAILURE OF INTERNAL ORGANS'

King Hussein flies home as health worsens

By David Gardner, Middle East Editor, in London

King Hussein of Jordan was last night in critical condition and being flown home from the US clinic where he was being treated for cancer.

A statement by his personal physician said the veteran monarch's condition had deteriorated after "the failure of the function of internal organs", following a bone marrow transplant to counter a recurrence of non-Hodgkin's lymphoma. He is expected to arrive in Amman today.

As King Hussein's illness has worsened over recent weeks, Jordan's western and Arab allies have expressed worries about the future of the desert kingdom – surrounded by powerful neighbours such as Iraq, Israel and Syria which in the past have not hesitated to intervene in its affairs.

The king, who has ruled Jordan for 46 of his 63 years, had undergone chemotherapy and an earlier bone marrow transplant at the Mayo Clinic in Rochester, Minnesota, during six months of treatment last year.

Last month he returned to a tumultuous welcome in Amman, apparently cured. But he immediately astonished Jordanians by sacking his brother Hassan – his crown prince and confidant for 34 years – and installing his eldest son Abdullah, 37, as his heir.

The dynastic upheaval was followed by a relapse in his condition and he returned to the US on January 26, leaving Crown Prince Abdullah, the commander of the Jordanian army's elite Special forces, as his regent.

Jordanians have been bracing themselves for the death of the only ruler most of them have known, since King Hussein's first bout of cancer in 1992. But few had expected the internal struggles of the Hashemite royal family – an 800 years-old dynasty from the Hijaz in what is now western Saudi Arabia – to come so messily out into the open.

In a letter to Prince Hassan made public shortly before his return to the US, the king accused his brother of intrigue, smearing his fourth wife Queen Noor, and most strikingly, of meddling in the armed forces.

Jordan's population is around two thirds Palestinian in origin, and Hashemite rule is based ultimately on an army staffed and led by Bedouin tribesmen from the south and east of the country.

Late last week, Madeleine Albright, US secretary of state, flew to Amman to declare publicly Washington's support for Crown Prince Abdullah, and pledged additional economic and military aid.

Despite having followed a rigorous programme of structural reform overseen by the International Monetary Fund, Jordan's economy is in deep trouble. Eight years of UN sanctions against Iraq have shut down its main market, while the cross border investment and trade the king envisaged would follow peace with Israel has not materialised.

The 1994 peace treaty with Israel, always unpopular, has become widely reviled since the regional peace process came to a halt under the Israeli government of Benjamin Netanyahu, elected in 1996.

President Bill Clinton, speaking before a gathering at the "National Prayer Breakfast" yesterday, said: "I ask you to pray for our King Hussein, a wonderful human being, a champion of peace who, I promise you today, is fighting for his life mostly – so he can continue to fight for peace."

Sports body takes moderate line on doping

By Pat Butcher in London

With all the gravitas they could muster in the middle of the vote-buying scandal, and with the cachet of prominent members of governments from around the world present, Olympic administrators yesterday announced new proposals against drug-taking in international sport.

At the conclusion of the three-day World Conference on Doping in Sport at the International Olympic Committee headquarters in Lausanne, Switzerland, measures to penalise not only athletes involved in doping, but their entourage as well were mitigated by high-profile opposition to sanctions.

There is to be a streamlining of the testing and appeals procedures, to ensure no conflict with national and international law, but transgressors of the Olympic Movement Medical Code can now include "coaches, instructors, officials, and all medical and paramedical staff working with athletes or treating athletes".

An independent International Anti-Doping Agency, to which the IOC has committed $25m, should be operational by the Olympic Games in Sydney in 18 months' time.

There is to be a minimum two-year sanction for a first doping offence across the Olympic sports, yet a proviso of "possible modification" has been criticised following widely quoted remarks by Sepp Blatter, the president of football's world governing body Fifa, and Hein Verbruggen, president of the International Cycling Union. Both finally agreed with the two-year sanction, but said they needed to take it back to their federations before implemention.

Mr Blatter's suggestion that amateurs and professionals should be penalised differently is seen as disappointing.

Mr Verbruggen suggested that anti-drug legislation was a waste of time, which, coming after the Tour de France episode last summer is regarded as compounding an oversight.

These proposals may not be enough to save the presidency of Juan Antonio Samaranch. He has been openly criticised by members who have discreetly supported him in the past.

Mr Samaranch cannot escape the fact that the vote-selling scandal over bidding for Olympic venues has occurred during his presidency.

So far, four IOC members involved in the vote-selling scandal have resigned, and others are likely to follow. Critics say nothing but a wholesale reorganisation and democratisation of the Olympic movement will restore faith in the institution.

Tanker charter rates predicted to decline

By Charles Batchelor, Transport Correspondent

Charter rates for larger tankers are expected to fall over the next two to three years as new ships come into service at a time of flat demand, according to an annual review by Petroleum Economics consultancy.

But the outlook predicts that demand for tanker capacity will increase and that prices will rise again after this downturn, provided the oil price remains low. The review says the slowdown in new exploration spending will mean that the world will become more dependent on Middle East sources of oil.

New ship orders rose to a 25-year high in 1997-98 while scrapping levels fell because of strong demand for crude oil tankers. Average charter rates for very large crude carriers (VLCC) were the highest for 16 years in 1997.

As these new ships come into service over the next few years rates for VLCCs and 130,000-dwt tankers are projected to fall and could return to the lows of 1992-94, the review said. Smaller vessels will not be so badly affected.

The daily spot rate for a 1990s-built VLCC could fall from $25,750 last year to $21,750 in 2000 with a slight rise to $22,500 in 2002. Older VLCCs are likely to fall from $20,750 to $16,750 in 2000 recovering to $17,500 in 2002.

The next few years will also see a change in trade flows, according to forecasts. Lower volumes of crude oil are expected to be moved from the Middle East to the west but larger tankers will be required to move oil from the Atlantic basin – North Sea, offshore Africa and Brazil, Venezuela and the Gulf – to the Asia-Pacific region.

In the products markets, Middle East exports to Asia are likely to decline but this could be more than compensated for by growth in Middle East shipments to the US and Europe. In the slightly longer term, however, provided oil prices stay at present low levels of $10-$12 per barrel, charter rates could rise steeply, the review said.

The exploration slowdown in non-Opec areas could limit any expansion of short-distance oil shipments leaving room for substantial increases in shipments of long-haul Middle East crude.

Spot price for 1990s-built VLCCs could rise from $25,750 to $37,000 in 2005 and $41,250 in 2010. Older tankers could rise from $20,750 last year to $36,250 in 2010.

● *World Tanker Outlook to 2010. Petroleum Economics, 3, Lloyds Avenue, London EC3N 3DS. Tel +44 (0) 171 553 2000. £1,000*

Disaster-hit Central America pleads for US trade openings

James Wilson reports countries hit by Hurricane Mitch need to export to rebuild themselves

Talk of furthering Central America's painful recuperation from Hurricane Mitch brings out the old analogy about the difference between giving a man a fish to eat and giving him the means to catch one.

While continued international aid is vital, those involved in rebuilding say the devastated region really needs the chance to trade its way to sustained recovery.

For Central America, that means a helping hand from the US, by far the region's biggest trading partner. In hard lobbying with Washington – to be continued when President Bill Clinton arrives for a summit next month – the countries hit by Mitch are once more pressing for improvements to the Caribbean Basin Initiative, the 19-year-old US trade regime that is one of the region's most important gateways to US markets.

After the hurricane there is plenty of public goodwill. This week a bipartisan trio of US senators unveiled a proposed Central American and Caribbean Relief Act, which would make CBI enhancement a central plank of a broad aid package for the area, which includes 24 countries of Central America and the Caribbean. There are also pledges of support from the Clinton administration.

However, with Mr Clinton's authority undermined by impeachment, with different ideas in Senate and Congress about what to do on CBI, and with opposition from powerful lobby groups, any trade deal is likely to fall short of the region's hopes.

Nor is a disturbing US trade deficit an auspicious backdrop for any moves to free trade further. The White House's own intentions, set out in the 2000 budget package announced on Monday, are to give CBI countries only a two-year window of expanded trade benefits on textile and apparel.

One Senate official says: "There is more motivation [to enhance CBI trade] as a result of Hurricane Mitch, but you also have to realise that the political dynamics are still there, and it raises a question mark as to how much you can move as part of a CBI package."

Changes to the CBI have been a regular demand of beneficiary countries in Central America and the Caribbean since regional rival Mexico strengthened its trade links with the US through the 1994 North American Free Trade Agreement. While CBI cuts duty levels on many products, its advantages are not as comprehensive as Mexico's under Nafta.

The biggest bugbear for CBI countries remains treatment of apparel exports. Location and cheap labour make the CBI countries attractive for US garment manufacturers, which have established scores of factories to assemble clothes cut from US fabric that are then re-exported to the US. In 1997, apparel made up 46 per cent of the US's $16.6bn of imports from CBI countries.

But apart from one special programme, textiles and apparel are excluded from CBI and apparel finished in CBI countries is still subject to duty on the part of its value added locally. Studies by the US International Trade Commission show that typical garments from CBI countries pay overall duty of 5.8 per cent. Similar imports from Mexico attract no duty.

After the hurricane's huge setback, creating assembly plant growth is even more of a priority. Costa Rica's president, Miguel Angel Rodriguez, says : "For small countries, in order to have more attraction for investors, you need to have access to markets. That is what creates the opportunities."

Luis Cosenza, president of the Foundation for Investment and Development of Exports in Honduras, says: "To compete products we have had to produce with a minimum of national content, because of the present tariff structure. We hope that as a minimum we can change that situation and be allowed to add more value to the product." Last year, he says, Honduras's $2bn of apparel exports included just $450m of locally added value.

But changes to CBI are dependent on the US Congress, which has several times previously failed to back similar moves.

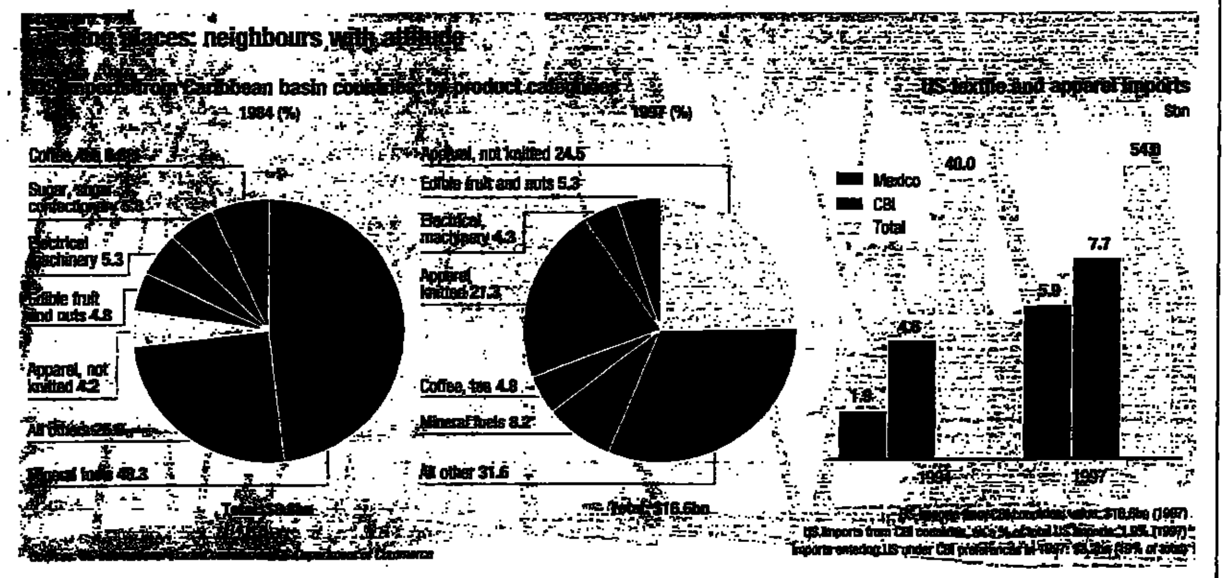
Democrat Senator Bob Graham, one of the men behind the introduction of a relief bill this week, has also been behind earlier efforts to help, and is a recent visitor to the region. But political reality and an active textile lobby indicates Mr Graham's package would fall short of Mexico-type treatment.

"He feels it is very important to give them something. This is legislation with less than complete parity in the interests of some progress," says a staff member close to the plans.

"Where you run into problems is if you allow [CBI countries] to get duty free treatment on regional [rather than US] fabrics, because then the textile manufacturers will oppose."

Any bill has also to find support in the House of Representatives – and it has previously been at odds with the Senate, with key congressmen favouring more far-reaching free trade laws. "There is going to have to be some hard thinking done to bridge the gap between the House and the Senate, and within the House," said a House official.

Mr Cosenza acknowledges the political situation does not favour moves towards trade opening. "It all depends how ambitious we are. The more ambitious we are the less probable it is from the political point of view. But I think we will get something. We hope that the situation that affects our countries allows some opening to the US market."



NEWS DIGEST

DEMAND FOR EU-WIDE ACCORD

Brussels moves against Dutch-US aviation deal

The European Commission has started legal proceedings against the Dutch government for concluding a bilateral aviation deal with the US which the Commission says distorts the European Union's liberalised air market. The move brings to 10 the number of countries against which the Commission has taken action for bypassing Brussels and setting up bilateral open-skies agreements. The others are the UK, Austria, Belgium, Denmark, Finland, Germany, Luxembourg, Sweden and France.

Neil Kinnock, the EU transport commissioner, has waged a long campaign to win the approval of member states to seek an EU wide deal with the US. It hopes to win a mandate later this year.

The Dutch government concluded its deal with Washington before the European air market was liberalised. However, a political agreement on the liberalisation package had been reached by member states at the point the deal was signed. The Commission believes this renders the agreement unlawful. The Dutch open skies deal was considered important for Amsterdam's Schiphol airport.
Emma Tucker, Brussels

UKRAINE CONTRACT

Gas pipe deal to repay debts

Ukraine's state gas company Neftegaz Ukraini has signed a contract with Gazprom of Russia to build a 555km gas pipeline in order to pay off $250m of a $1.1bn debt it owes for gas imports, Ihor Bakai, Neftegaz Ukraini chairman, said yesterday.

The pipeline will be built in parallel to an existing line between the towns of Ananiv and Ismail in southern Ukraine, and Gazprom will use the line to expand gas exports to western Europe. Ukraine relies on Russia for 70 per cent of its gas supplies, but often falls behind with its payments, especially in winter. Gazprom has frequently accused Ukraine of stealing gas bound for Europe, which imports a quarter of its gas from Russia through Ukrainian pipelines. Mr Bakai said his company would also supply Gazprom with $26m worth of pipeline equipment as payment for current gas supplies, pledging that Ukraine's gas debt in Russia "will not increase" in 1999.
Charles Clover, Kiev

US ANTIDUMPING

Duties imposed on mushrooms

The US Department of Commerce has imposed antidumping duties on preserved mushrooms from India, China and Indonesia. The action follows a decision by the US International Trade Commission, which ruled that preserved mushrooms imported from the three countries were being sold at less than fair market value and hurting US industries.

A complaint was filed late last year stating that preserved mushroom imports from Chile, India, China, and Indonesia were injuring domestic preserved mushroom producers.

A final determination ruling that preserved mushrooms from Chile were being sold at less than fair value was issued last November. **Shilpa Mohan, Washington**

NORTHERN IRELAND PARTIES URGED TO SHOW COURAGE AS PARAMILITARY ACTIVITY INCREASES

Minister insists ceasefires intact

By John Murray Brown in Dublin

Ceasefires in Northern Ireland were intact despite a rise in punishment attacks and recent disclosures about paramilitary weapons, Mo Mowlam, chief Northern Ireland minister in the UK government, said yesterday.

The peace process was entering "a very difficult period", she said outside the prime minister's residence in Downing Street, London. She urged everyone involved to show the "determination, flexibility, courage and just sheer guts" to move forward.

Her statement came after the Irish Republican Army disclosed in the journal An Phoblacht/Republican News that some of its weapons had been "stolen" by republican opponents of the peace process and not all had been recovered.

Claims that the anti-republican Ulster Volunteer Force was rearming were confirmed by the Progressive Unionist party, its political wing. "They are not threatening the ceasefire or the agreement, but they are getting edgy and they are telling us we should be getting edgy as well," said David Ervine, the party's chief negotiator.

Meanwhile, the opposition Conservative party continued to demand a halt to releases of paramilitary prisoners until punishment attacks ceased. Government officials said it would be difficult to prove that a paramilitary organisation had broken its ceasefire. That would probably require a public claim of responsibility after an attack on police or the British army. Punishment beatings are carried out against members of the paramilitaries' own communities so that, to use police terminology, there is no "sectarian" motive.

Northern Ireland police believe the IRA and its "loyalist" rivals can stop them at will.

On Wednesday, the IRA was accused by two former Irish justice ministers of "widespread intimidation" of witnesses in a case in the Irish Republic against four IRA suspects accused of killing Gerry McCabe, an Irish police detective, near Limerick in the republic in 1996. State lawyers agreed to a plea bargain, with the defendants charged with the lesser offence of manslaughter and the charge of IRA membership dropped. Sentence is to be passed today.

Officials in the Irish government are "increasingly impatient" with the republicans' failure to address the arms issue. Publicly the government is more supportive.

But Ken Maginnis, the Ulster Unionists security spokesman, said the the IRA was seeking to "explain away" forensic evidence linking it to recent violence.

He said Ms Mowlam knew the culprits. "She knows the answer, but the one thing she may not be able to resist is concrete evidence that guns that were previously used or known to belong to the IRA are now in recent times being used once again."

Governing party takes wider lead over Scots nationalists

By James Buxton in Edinburgh

The governing Labour party's hopes for the first elections to the Scottish parliament were boosted yesterday by an opinion poll showing an increased lead over the Scottish National party.

It also put Donald Dewar, chief minister for Scotland, on a substantially higher personal rating than Alex Salmond, SNP leader.

Tony Blair, the prime minister, is to visit Scotland today to warn against voting SNP on May 6. The Labour party was trying to make the Scottish parliament work while the SNP was "simply trying to use the parliament as a ram for independence", Mr Blair told BBC Radio Scotland yesterday.

The ICM poll in The Scotsman newspaper gives Labour a 12-point lead over the SNP, on 44 per cent with the SNP on 32 per cent. Support for Labour is up 6 per cent compared with last month while that for the SNP is down 4 per cent.

The Conservatives, the biggest opposition party, are on 12 per cent, down three points on last month, while the pro-European Liberal Democrats are unchanged on 10 per cent.

If the poll results were translated into seats, Labour would take 57 of the 129 seats in the parliament against 43 for the SNP. But that would not be a majority and it would have to go into coalition. The Liberal Democrats would take 13 seats and the Conservatives 16.

The ICM poll shows Mr Dewar winning the support of 50 per cent of those asked about his potential as first minister of Scotland, against 37 per cent for Mr Salmond. But Mr Salmond scored more highly than Mr Dewar on personality and for standing up for Scotland.

The poll also showed a small majority would vote against independence in a referendum, the first time the poll has produced this result since it began last June. Some 44 per cent said they would vote for independence, against 47 opposed.

Labour believes the relatively favourable poll reflects the effectiveness of its offensive against Scottish independence and the SNP in the past three months.

● No buyer has been found for the Seagate Corporation microelectronics factory in Livingston, central Scotland, investment officials said yesterday. Most of the workforce was laid off yesterday, four months after California-based Seagate announced the closure. The company said then that the Scottish operation was no longer financially viable. The building is now to be marketed worldwide through the Locate in Scotland agency.

ECONOMY EURO-ZONE CONVERGENCE URGED

Surprise interest rate cut prompts calls for more

By Kevin Brown, Industry Editor

The surprise decision from the Bank of England, the UK central bank, to cut interest rates to 5.5 per cent prompted calls from business and unions for rapid British convergence with the euro-zone rate of 3 per cent.

Economists said that yesterday's cut of half a percentage point would improve confidence and help hard-pressed exporters by weakening the pound against the euro, although the effects were likely to take some time to flow through.

There was widespread agreement on both sides of industry that rates were unlikely to fall below 5 per cent in the short term because of the danger of renewed inflation and the lack of convergence between the UK and euro-zone economic cycles.

John Bryant, chief executive of British Steel, said there were signs that the monetary policy committee, the bank panel that sets rates, was considering wider issues than inflation. "If there is a clear intention to narrow the gap between the UK and Europe we would welcome that," he said.

John Monks, general secretary of the Trades Union Congress, said the gap was still significant. "The Bank needs to continue the downward trend next month in order to avoid recession and secure recovery in 2000," he said.

Graham Mackenzie, director-general of the Engineering Employers' Federation, said rates must continue to converge with the levels enjoyed by British manufacturers' competitors in continental Europe. "The adverse differential between UK and European interest rates is not sustainable, and the overall downward trend in UK interest rates should continue towards a realistic level of around 5 per cent," he said.

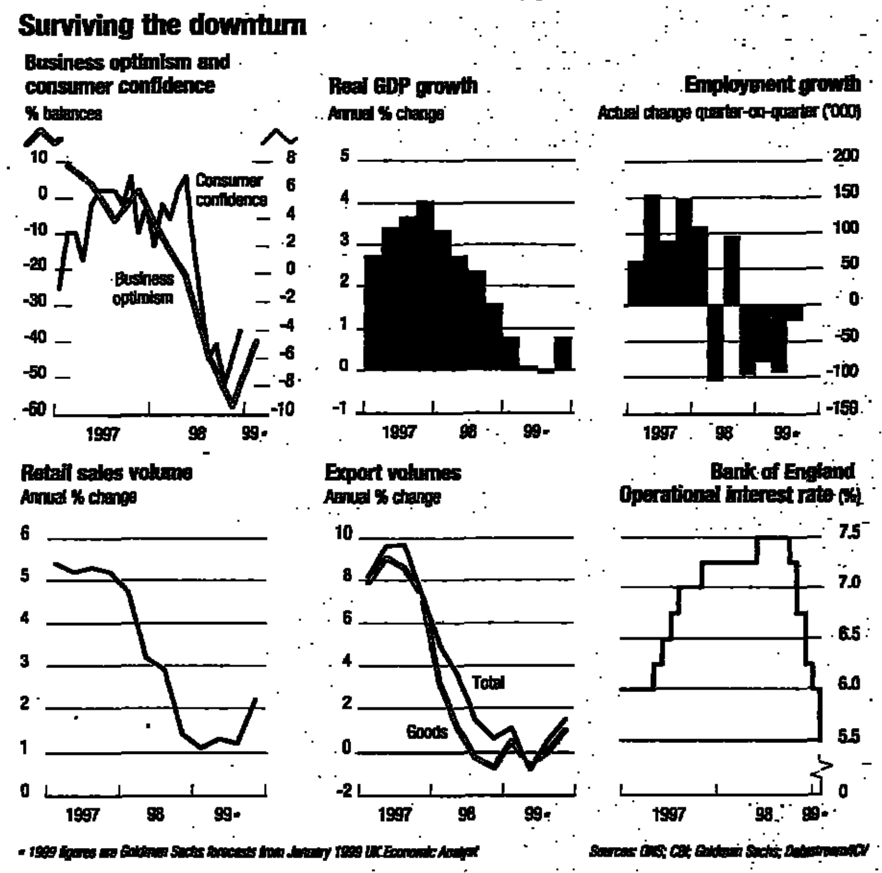
Ken Jackson, general secretary of the Amalgamated Engineering and Electrical Union, called for convergence. "We would like to see rates fall by a further 1 per cent by the end of this year but we understand there is only so far you can go in one step," he said.

Kate Barker, chief economic adviser to the Confederation of British Industry, the employer's lobby, said the MPC's "decisive move" was good news for industry but warned that manufacturing was in recession and deflation remained the main danger. "We believe that rates can and should be further reduced to five per cent over the next couple of months without any danger to the inflation target," she said.

Ian Peters, deputy director general of the British Chambers of Commerce, said business would cheer the rate cut as a bold move and evidence that the Bank was listening. "The MPC must continue to show firm resolve and bring rates down to a level of 5 per cent by the summer," he said.

Ruth Lea, head of the policy unit at the Institute of Directors, said the MPC was trying to avert a recession and was likely to succeed. "They must be quite confident about inflationary pressures and are aware that there are pockets of weakness in the economy," she said.

Elizabeth Phillips, deputy director general of the British Retail Consortium, said retailers needed a clear positive message. "As there is no evidence of over-heating and the upside risk to inflation is small, we are glad the MPC was confident enough to make this interest rate cut," she said.



* 1999 figures are Goldman Sachs forecasts from January 1999 UK Economic Analyst Sources: ONS; CBI; Goldman Sachs; Datastream/ICV

Decision delayed on US radar system bids

By Alexander Nicoll, Defence Correspondent

A £750m ($1.3bn) competition to supply an airborne surveillance radar system to the Royal Air Force has been delayed in the final stages by uncertainty over the number of aircraft needed to meet the RAF's operational needs.

Days before it was expected to decide which bid would be recommended to ministers, the Ministry of Defence last week asked the three contestants to submit new best and final offers within seven days. Each bidding consortium is led by a US company: Lockheed Martin, Northrop Grumman and Raytheon.

The ministry's last-minute request – not unusual in a close-run competition – is thought to have been made to clarify each bidder's pricing for the supply of four or five business jets equipped with an Astor airborne stand-off radar system.

The bidders were thought to have offered differing numbers of aircraft to meet the RAF's surveillance requirement, with at least one proposing five and at least one arguing that four would suffice.

Each has now provided clear pricing for both four and five aircraft so that RAF chiefs and defence ministry procurement officials – closely watched by the Treasury – can make the decision.

The competition is the ministry's biggest so far under the Labour government, and industry executives said it appeared to be extremely close. The ministry said the government's decision would come in the second quarter.

Although all the bidders are American, each is lobbying hard with politicians and emphasising the UK content of their proposed product, as well as potential UK jobs and exports.

The radar will enhance intelligence available to British commanders who will use it to look hundreds of miles behind enemy lines.

Newspaper tycoon's legacy exposes Coopers' lame excuses

The firm was fined $1.9m for comprehensive failings in the audit of the Maxwell empire. **Jim Kelly** asks if self-regulation worked

So was justice done? Coopers & Lybrand – now referred to as Legacy Coopers & Lybrand within the giant firm of PwC it helped create last year – has been fined £1.2m ($1.9m) for its failings as auditor for the business empire of Robert Maxwell, the publishing tycoon who drowned more than eight years ago.

Four partners admitted complaints but can keep their jobs and the firm was censured. It is symbolic of the self-regulatory system, criticised widely in recent years, that the final verdict of the Joint Disciplinary Scheme's tribunal should censure a firm that no longer exists. There is a palpable sense of relief within PwC – a sure indication that much worse was feared and probably deserved.

The report paints a comprehensive picture of audit failure. At its heart was an inability to see the whole picture, despite holding auditor positions at most of Maxwell's 400 companies.

The verdict usefully undermines one of the excuses Coopers has trailed for some time. Because it audited the entities separately, we have been told, it was prevented by client confidentiality from putting the jigsaw together. But the report makes it clear that the audit partners did not go as far "as confidentiality permitted" in trying to understand what was happening.

It is not the only excuse that now looks a little lame.

Another, floated by the UK's Big Five generally, is that they are the only auditors capable of dealing with people like Maxwell. They have a duty to take on such hard cases – and stick with them when the alarm bells ring – otherwise the corporate bullies will simply terrorise a lowly middle-tier auditor. But if Coopers was unable to form a coherent picture of what was going on in the Maxwell empire, it was hardly in a position to protect society from such dangers.

There is also the issue of reputational risk. The Big Five have always said they must maintain standards to protect their names. The timescale of the Maxwell inquiry undermines this argument fatally. It is 8½ years since Maxwell drowned. The name of Coopers & Lybrand has become an addendum to Price Waterhouse, its merger partner. A key partner has died. And when the reputation of a firm is attacked, most admit – privately – that clients do not care. What happens is simply that the general reputation of all auditors drops another inch. That is hardly a sanction when the statutory audit is just that – a legal requirement.

Excuses aside, does the fine meet the public's expectation of a penalty? PwC notched up $15bn revenues last year. Perhaps the JDS – soon to be part of a self-regulatory framework envisaged by the government – should be able to consider more creative penalties.

The Securities and Exchange Commission, the senior US regulator, has recently penalised a Big Five firm – incidentally PwC – for breaches of auditor independence. The SEC, rather than levying a fine, secured an agreement with PwC under which the firm would set aside $2.5m for education and training on auditor independence, sign up to a raft of internal reforms and accept an internal inquiry led by an outsider nominated by the SEC.

Last year saw the giant merger that created PwC and the failed merger of KPMG and Ernst & Young. Regulators said there were many reasons why turning the Big Six into the Big Four was dangerous. Here, surely, is another. For self-regulation to work, the regulator needs to have the power to suspend or repeal a firm's licence to audit. But the size of the firms – and their grip on the listed audit market – is such that the use of such a sanction would cause chaos. The Big Five are already too big to punish.

NEWS DIGEST

ROYAL AUTOMOBILE CLUB

Cendant purchase of motor services group is blocked

The UK government yesterday in effect blocked the planned £450m ($738m) purchase by Cendant, the US consumer and business services group, of the Royal Automobile Club's motoring services arm. Cendant said it would not go ahead with its bid after a UK government ruling that it would have to sell its own Green Flag motoring services business if it wanted to acquire the RAC.

Kim Howells, UK competition minister, accepted the recommendations of monopolies watchdogs that a merger of the RAC and Green Flag would weaken competition and be against the public interest. Steve Holmes, Cendant vice-chairman, said: "At the outset we explained to the monopolies commission that the divestiture of Green Flag would not be acceptable. Our valuation of RAC Motoring Services was driven by future synergies between the two businesses." Mr Holmes said there had never been any prospect of Cendant disposing of Green Flag – which was "more profitable" than the RAC – to make the deal possible. The £450m saved on the RAC deal would be used to pay down Cendant's debt and to continue its programme of buying back its own shares, he said.

The RAC plans a public offering of its motoring services offshoot this year which is expected to raise considerably less than the £450m price agreed by Cendant. The RAC has not ruled out the possibility of a trade sale.

The competition ruling will defer once again the prospect of the RAC's 12,000 club members receiving a pay-out from the disposal of the motoring services arm. It is also likely to mean they will receive less than the £33,000-£35,000 originally hoped.

■ **The RAC saga**

Mar 1998 RAC chairman Jeffrey Rose tells members he plans to demerge motoring services

Apr Rose sacked for not consulting board. Nevertheless board says it will go ahead with sell-off of motoring arm. Cendant makes bid

May former RAC members apply to rejoin in search of windfall

Jun RAC members vote in favour of sale

Jul High Court in London approves sale to Cendant

Sep Cendant deal is referred to Monopolies and Mergers Commission

Charles Batchelor, London

See Comment in Companies & Finance: UK

TELECOMMUNICATIONS

AT&T buys research labs

AT&T, the US-based telecommunications group, has acquired the Olivetti & Oracle Research Laboratory based in Cambridge, England, and will invest a minimum of £30m ($49m) in the project over the next six years. The renamed AT&T Laboratories Cambridge will focus on research into networking, multimedia and mobile communications systems, working closely with AT&T Labs research centres in the US. Professor Andy Hopper founded the labs in 1986 and will continue to direct the work of its 50 full-time research staff. The labs, which work closely with the Cambridge University, have built a reputation as a leading international centre for communications research. "We have always been a communications lab and there is a tremendous synergy and meeting of minds between research in Cambridge and AT&T Labs in the US," Prof Hopper said yesterday. **Paul Taylor, London**

TELECOMMUNICATIONS

Boost for indirect access

David Edmonds, the telecommunications watchdog, yesterday paved the way for a rush of competitors into the mobile phone market with a consultative document endorsing indirect access to mobile networks. Such access, connecting operators without a full network to their customers through a competitor's network, should cut retail prices and widen the range of services customers can use, he said. Mr Edmonds made it clear he believed competition was driving cellular tariffs down and there was no need for regulatory intervention. Oftel would continue to monitor prices and publish a further review in September 2000. Indirect access is already commonly used by British Telecommunications' competitors on its fixed wire networks.

Companies offering indirect access include Cable and Wireless, First Telecom and Energis. **Alan Cane, London**

SEMICONDUCTOR PLANT

Siemens rejects MBO

Siemens has rejected a management buy-out bid for its semiconductor plant in north-east England. "The government remains committed to using its best endeavours to find a new owner for the plant," said Stephen Byers, chief industry minister, whose parliamentary district includes the factory. "This news simply means that we must redouble that effort." Siemens declined yesterday to say why it was not possible to agree a deal.

Llew Aviss, personnel director at the plant, said sale discussions with interested parties were still being held. But, he said, continuing decommissioning meant the point was approaching beyond which the plant could not be sold as a going concern. **Chris Tighe, Newcastle upon Tyne**

DIANA, PRINCESS OF WALES

Trademark application rejected

An application to trademark the image of Diana, Princess of Wales, has been rejected, the Patent Office said yesterday. The application, originally made by the Diana, Princess of Wales, Memorial Fund and later taken over by the executors of her estate, sought to protect 52 colour and black-and-white images of the princess for use with a wide range of goods. The fund was seeking to prevent the use of pictures of the late princess on unofficial merchandise. The patent applicant was not disclosed.

AIRLINES MINISTER JOINS DEBATE AS NUMBER OF ROWDY INCIDENTS APPEARS TO BE INCREASING

Government flight plan aims to throttle 'air rage'

By Deborah Hargreaves in London

Passengers dumped in the US after a brawl on a flight from London to Jamaica; an aggressive traveller punching out the window of a jumbo jet in mid-flight; another trying to wrench open a rear door: incidents of so-called "air rage" appear to be mounting.

The British government is concerned by the number of rowdy passengers causing problems in the air and held talks with the UK's leading airlines this week to discuss what could be done.

John Reid, Britain's transport minister, said: "Fortunately, violent incidents are extremely rare. But the number of times passengers have to be restrained on board aircraft because their behaviour is unacceptable does seem to be growing."

The meeting came as 12 passengers thrown off a Jamaica-bound flight in Norfolk, Virginia, because of allegedly drunken behaviour, were flown back to Britain. Airtours, the original carrier, said the passengers threatened cabin crew, aggressively demanded more drinks and started a fight in the aisles.

The Civil Aviation Authority, which monitors British air traffic, said the number of reported serious incidents on flights had not risen over the past five years, but remained at around 30 to 36 a year. British-registered airlines carry 17m passengers a year.

"But there is a problem in how you record these incidents since different airlines categorise them in different ways," the CAA said. Only the very serious offences are reported to the CAA – those that constitute a threat to the safety of the aircraft.

Mr Reid discussed with the airlines the possibility of setting up a database to give a more accurate picture of incidents in the air.

He also suggested new rules, which could include breath testing passengers before take-off. Most "air rage" offences are caused by drunkenness. Some passengers are caught unawares by the increased potency of alcohol at high altitudes and more people than ever are travelling on long-haul flights, where they often drink too much to relieve the boredom.

Airtours has threatened to sue the travellers ejected from the Montego Bay flight on Sunday for the additional costs of diverting the aircraft.

British Airways last year introduced a system of yellow cards, which are issued to disruptive passengers. These state that the cabin crew will refuse to serve alcohol and can confiscate any duty-free drinks brought on board. The airline also says it will sue travellers for the costs of diverting an aircraft.

"Drunken passengers can be more than a nuisance on aircraft, they really can endanger the safe running of the plane," the CAA said.

مكتب من الإرسال

RICHARD DONKIN

Military management

Julian Richer is an individualist but he runs his company with the precision of a general

The one advantage of a few days in bed with flu is that it allows you to be distracted. However much you try to read or focus on anything, be it the TV, radio or a game of solitaire, listlessness soon takes over. But it makes for some diverse reading.

History books are particularly useful for whiling away illness because you do not have to start at the beginning and you know how things turn out anyway. Even so it always chokes me to read of King Harold's defeat at the Battle of Hastings. One of my pet theories is that the English never really got over it. More than 1,000 years on, at a recent enactment, the crowd of onlookers were cheering the Saxons and booing the Normans.

I was far too miserable for the Norman Conquest last week so picked up *The Campaigns of Napoleon* by David Chandler instead and skipped straight to the Battle of Waterloo. Few historians, military or otherwise, can resist playing the "if only" game – if only Goering had continued to bomb the airfields, if only the tanks at Cambrai had been given sufficient support to exploit their breakthrough, if only the referee had let Sol Campbell's goal stand; that kind of thing.

Mr Chandler played the game so adeptly that I found myself lamenting Napoleon's mistakes. Most of the mistakes, in fact were made by his generals: Grouchy was completely out of it, Soult seemed semi-detached, d'Erlon proved tactically naive and Ney was plain reckless.

It was still, as the Duke of Wellington admitted, a close-run thing. But whatever the failings of the French commanders, the ultimate responsibility had to lie with Napoleon. As Mr Chandler points out, many of the better French generals were overlooked, or given the wrong job. The emperor ruined a brilliant plan to split the allied armies by playing his generals out of position.

Military analogies in business are out of fashion so I was surprised to read Julian Richer, chairman of Richer Sounds, the UK hi-fi chain, admitting his interest in military campaigns in his latest book, *Richer on Leadership*.* Reading further, however, it became clear why. He runs his businesses with a meticulous attention to detail and a general's obsession with planning and field disposition. He would never get in the army – his hair is too long – but you get the impression that he knows his managers more thoroughly than Napoleon knew his generals.

Mr Richer is an individualist. Some of his ideas could be straight out of management school. Others seem old-fashioned, unconventional and occasionally bordering on the eccentric. The point is that his ideas work and he has become adept at articulating them for the benefit of others. When recruiting, for example, he steers clear of "super-talented whizz kids". He writes: "They know they don't need to work hard so they're grasshoppers, flitting from one job to another. As soon as they've done you the honour of joining your company, they'll hop to a rival firm for more money."

He prefers instead to find "ordinary people who are exceptionally talented". He points out that "you have to look beyond the CV at the personality and readiness to work hard. I find very often it's the people who have had a rather tough time in the jobs market who show consistent, dedicated performance."

Many in Richer Sounds' management have come up through the ranks. David Robinson, group managing director, started at the age of 16 as a sales assistant. "We steer clear of rich kids and PhDs. I would rather take someone who may not have brilliant academic qualifications but is enthusiastic about the job," writes Mr Richer.

New managing directors know they are working in a practical environment when they are handed their "managing directors pack". This consists of a tool kit, including a notebook and pen and, somewhat bizarrely, a smoke mask "which could be a lifesaver in a fire in a hotel or a plane".

Mr Richer is so attached to his own notepad and pen that they are covered in day-glow wrapping. Managing directors are expected to carry their pads and pens everywhere and to use them. Not everyone has to use the worksheet. This is a Richer speciality. He eschews computers and electronic organisers for an A3 piece of paper. His main technical refinement has been a clear plastic cover to avoid coffee stains. The worksheet, replaced every two weeks, is organised into various columns and lists, and includes everything he needs to do: meetings, diaries, tasks, priorities, the lot, all recorded in tiny writing. "This one sheet of paper is more useful to me than a fancy computer," he says.

The latest book repackages many of the ideas in his first book, *The Richer Way*. Neither book has been circulated in the US. This seems a pity since they would sit well with the practical business ideas of entrepreneurs such as Hal Rosenbluth who built Rosenbluth Travel by focusing strongly on employees.

In the spotlight

Headhunter books appear to be bursting out all over. These once-discreet individuals are becoming attracted to the media spotlight. Some of the names in Nancy Garrison's Jenn's recent book, *The Global 200 Executive Recruiters*, are also in a book called *Navigating Your Career, 21 of America's Leading Headhunters Tell You How It's Done*.

What they actually tell you is how they prefer it to be done. One chapter, for example, makes a less than convincing case for why it is in your interest to help a headhunter seeking information on other people. The idea is that next time it could be you who is in the frame.

Perhaps the most revealing chapter of all, however, is a debunking sermon from Windle Priem, vice-chairman and chief operating officer of Korn/Ferry International.

Mr Priem is sceptical of texts that warn executives to work fewer hours. "I've never seen a candidate's name cut from a short list because he or she works too hard," he writes. Neither does he go for the family-friendly corporate leader. Successful executives, he says, "do not permit themselves the illusion that their company's board or shareholders are eager for them to spend more time with their families".

He is not convinced that working abroad is an essential part of getting to the top. Nor is he impressed by those who argue that job satisfaction is more important than job compensation. In business, he argues, the best jobs pay the most. "People tend to earn what they deserve to earn."

**Richer on Leadership, by Julian Richer with Kate Miller, Richer Publishing, £9.99. **Navigating Your Career, Christopher Hunt and Scott Scanlon, John Wiley, $16.95. Books can be ordered through the FT Bookshop, tel + 44 181 324 5511 for overseas orders, e-mail: ftbookshop@bvcd.prestel.co.uk.*
richard.donkin@ft.com

WORKING BRIEFS

Research shows that managers switch off in meetings

If anyone doubted that meetings are the bane of corporate life, they might like to look at some research among 400 senior and middle managers in the UK which found that almost a quarter admitted to dozing off in meetings.

Nine out of 10 of them had missed meetings and eight of 10 confessed to daydreaming during meetings. That said, business people seem to be obsessed with meetings. A typical manager has 60 meetings a month, says the study, carried out by Research Business International for MCI WorldCom Conferencing.

The study estimates that a typical out-of-town six-person meeting costs £1,645 when lost productivity is taken into account. This calculation seems a bit suspect since, if a meeting is necessary, the cost has to be borne like any other overhead.

But costing a meeting is a useful way of focusing on its worth. Clearly MCI believes people should be making more use of audio and video conferencing.

Details: www.wcom.co.uk/audio conferencing

Bidding wars

Multinational companies with operations in eastern Europe are engaging in increasingly fierce bidding wars for the limited pool of skilled professionals, according to a new report by the Economist Intelligence Unit.

Job hopping and poaching has reached such a stage that some companies are protecting staff identities as if they were company secrets, limiting the distribution of contact directories and screening calls to filter out those from headhunters.

Although ever-higher salaries continue to lure people away, there are signs that the cash fixation displayed by executives in the former Soviet Union is less apparent among the strengthening central European economies where more traditional executive packages are taking hold.

Many employers consulted in the research by Louisa Vinton, the report's author, said they placed a high value on women managers. Some, in Bulgaria for example, argued that women make the better managers. The report costs £395.

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You should possess a good Honours Degree from any discipline with 3 - 6 years' relevant experience. You should be a team player who is able to work independently. You should also have integrity, excellent analytical ability, and strong interpersonal and communication skills.

If you would like to invest your career with us, please send a comprehensive resume and supporting documents to:

The Director, Admin & Personnel
Government of Singapore Investment Corporation Pte Ltd
250 North Bridge Road, #38-00 Raffles City Tower
Singapore 179101
or fax: (65) 3308537, or e-mail: apply@gic.com.sg

We invite you to visit our website at www.gic.com.sg

All applications should reach the Corporation by 20 February 1999.

We regret that only shortlisted applicants will be notified.

GIC GOVERNMENT OF SINGAPORE INVESTMENT CORPORATION

As the largest United Nations Programme in the Middle East, UNRWA provides education, health care, relief assistance and social services to 3.5 million registered Palestine refugees in Jordan, Lebanon, the Syrian Arab Republic, the West Bank and the Gaza Strip. The UNRWA area staff Provident Fund is a benefit which applies to some 20,000 UNRWA area staff located at Agency offices in Jordan, Syria, Lebanon, Gaza and the West Bank. The market value of the Fund is approaching US$1 billion invested in global bonds and equities. The fund employs 7 investment managers, a global custodian and a performance evaluation company. A security lending programme is also administered to boost the income of the Fund.

For the coordination and administration of the Provident Fund and for advice on investment strategy and performance, UNRWA is seeking to employ an experienced

Chief, Provident Fund Secretariat

to be based at UNRWA Headquarters in Amman, Jordan. Reporting to the Comptroller, the incumbent's responsibilities include: to provide operational and strategic analysis and advise on the performance of investments to an Investment Advisory Committee; to monitor the work of the global custodian and investment fund managers; to establish information links to ensure awareness of trends and vehicles for investment purposes; to act as Secretary of Advisory Committees; to maintain records, effect payments, administer the loan scheme, conduct liquidity and demographic studies.

Requirements: Advanced university degree in business administration, banking/investment or directly related field; at least 10 years' progressively responsible professional experience in investment/pension fund activities at senior level, 5 years at supervisory level in a large organisation.

Language and interpersonal skills: Excellent interpersonal, written and oral communication skills in English.

Computer knowledge: Full computer literacy essential as extensive use of technology is made, including computerized on-line systems.

Desirable: Working knowledge of Arabic; knowledge of Middle East cultures/work practices; Chartered Financial Analyst (CFA).

Remuneration at P5 level: Annual net (tax-free) salary starting from US$ 69,300 (single) and $75,200 (with dependents) plus attractive fringe benefits package (education grant, dependency allowance, home leave, pension fund, health plan, generous annual leave provisions, relocation package). Initial contract: 1 year, extendable.

Applications before 28 February 1999 to: Head, Recruitment Section (VN/2/99), UNRWA HQ Gaza, via UNRWA HQ Amman, P.O. Box 140157, Amman 11183 Jordan.
Fax: (Gaza) (+972-7) 677 7555, from where additional information can be obtained.

Position available.

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The School of Business is expanding its full-time faculty from 1 September 1999 in:

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MBA required; PhD preferred. Successful candidates should also have experience teaching in a US educational system and a record of research and business experience.

Salary and faculty rank are dependent on qualifications and experience; generous benefits package. Richmond is an equal opportunity employer.

Letter of application, CV and the names of 3 referees to Dr. Jean Lefebvre, Dean of the School of Business, 16 Young Street, Kensington, London W8 5EH. Tele: 0171-368-8480 or email: lefebvj@richmond.ac.uk

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Brooklowe International Management Consulting Limited is an **extremely professional and successful profit improvement consultancy** with an **enviable track record** over 16 years in the UK.

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Please indicate in a few paragraphs [illegible] would be able to assist and send to fax number 0161 794 5425 or Brooklowe International Management Consulting, Mill House, Mill Brow, 6 Worsley Road, Manchester M28 2NL.

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Tyco International Limited., a US $17 billion diversified manufacturing and service company with over 80,000 employees worldwide, is the world's largest manufacturer and installer of fire and safety systems and provider of electronic security services and has strong leadership positions in disposable medical products, packaging materials, flow control products, electrical and electronic components and underwater telecommunications systems.

Our companies, such as ADT, US Surgical, Kendall Health Products and Total Walther are household names in their fields. With projected expansion throughout Europe and the rest of the world, our worldwide growth should reach over $23 billion in turnover in 1999 alone.

To aid in this period of expansion and for the future, we are seeking a European Tax Manager to coordinate our international tax strategy and corporate structuring activities throughout Europe and the Middle East.

This is a key position, with European wide responsibilities and scope, reporting to the Director of International Tax and working closely with the European Legal and Finance Departments.

The successful candidate will have a minimum of five years of international tax experience, with a multinational or an international accounting or law firm, preferably as a tax manager or tax counsel. A CPA degree or an advanced legal degree in international taxation is a prerequisite, as is complete fluency in English, French and preferably at least one other European language. Organizational and computer skills are also a must. The successful candidate will be a self-starter, enthusiastic and able to take a leadership position in a dynamic and changing business environment.

Tyco offers an outstanding professional challenge and competitive compensation commensurate with experience. If this description fits you, please reply in confidence by mail or by fax with a current c.v., salary history and an analytical English writing sample (no more than 5 pages) to:

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Interested candidates should forward a comprehensive curriculum vitae, including details of current remuneration, [illegible] at Michael Page Finance, Page House, 39-41 Parker Street, London WC2B 5LN. Telephone 0171 269 2266. Please quote reference [illegible]

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Thorne, S Yorks £70,000 + Bonus + FX Car + Bens

The Division commands a strong position in the UK retail market and has a turnover of £350 million. As a consequence of a major strategic acquisition and internal reorganisation, an outstanding commercially orientated individual is sought to drive forward the Fresh Division.

This is a high profile position both internally within the business and externally in the UK retail market. It reports to the Divisional Managing Director and operates at the heart of the business. Fundamental to the success of the role will be the ability to operate outwith the accounting function and to help mould the development of the business. You will have to:

- Ensure the financial health of the Division during dynamic growth.
- Offer to the senior management team clear objective advice and support.
- Challenge business assumptions and investment plans to maximise benefits to the business.
- Ensure that the key levers of profitability and cash generation are clearly understood, communicated and actioned by every level of the business.
- Identify profit opportunities and support business development solutions to drive the business forward.

Ideally with an excellent track record of achievement in a profit accountable role within a fast moving environment, the successful candidate will be:

- A committed team player and an excellent communicator.
- Capable of participating in areas outside of finance.
- A forward looking, innovative thinker who is comfortable with and can lead change.
- Be able to demonstrate leadership and strong man-management skills.

This is an outstanding opportunity to gain a high profile role in a major UK company. Please forward your CV to our retained consultant James Newman, Executive Division at Michael Page Finance, Leigh House, 28-32 St Paul's Street, Leeds LS1 2PX, fax 0113 243 3177, quoting reference 483535. e-mail: jamesnewman@michaelpage.com

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Nycomed Amersham

Corporate Tax Manager

Nycomed Amersham is a world leader in in-vivo diagnostic imaging and research based biotechnology supply. The company aims to generate technologies which link the frontiers of bioscience with society's needs for better and more cost effective healthcare. Their global organisation has annual revenues of £1.4 billion, employs around 11,000 staff worldwide and has R&D, manufacturing and marketing operations in all of the world's major markets.

Bucks £ Competitive Package

An exciting role has arisen for a Corporate Tax Manager. Reporting to the Director of Tax, this role will be heavily biased towards international work and will have the following responsibilities:

- Working with the Tax Director on the formulation and implementation of the Group's taxation strategy.
- Optimising and monitoring compliance of the Group's worldwide transfer pricing policy.
- Planning and strategic development for the repatriation of overseas profits to the UK.
- Project work in relation to acquisitions and disposals.

Due to the nature of this role, Nycomed Amersham wishes to appoint an energetic, commercial individual who will be comfortable operating at a senior level within the organisation.

You will be a qualified ACA, and possibly ATII, with at least five years post qualified experience gained within the Big 5 and ideally should have reached senior manager level having gained experience of advising international Plcs. This is an ideal opportunity to move into industry and become an integral part of genuine business decision making.

Interested candidates should contact our advising consultant Fiona Reynolds at Michael Page Taxation, Page House, 39-41 Parker Street, London WC2B 5LN, quoting reference 480452. Telephone 0171 269 2322 or fax 0171 831 6662. e-mail: fionareynolds@michaelpage.com

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Foreign & Colonial

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Fund Accountant

Foreign & Colonial Management is a global investment management company managing funds of over £25 billion for a diverse portfolio of institutional and retail clients based in the UK and overseas.

London £ Excellent

As part of its ongoing strategic development, Foreign & Colonial now needs to recruit a Fund Accountant to further strengthen their finance function. This is a high profile role reporting to, and deputising for, the head of the function, requiring a dynamic, flexible approach and the ability to liaise across all levels of the business.

Key responsibilities will include:

- Production and presentation of half yearly and statutory accounts for publicly quoted investment trusts and unit trusts, reporting up to Board level.
- Monitoring offshore fund and unit trust accounts produced by third party administrators.
- Production and analysis of statistical information.
- Tax computations and returns including VAT.

Ideal candidates will be qualified accountants from an investment or related financial services background, preferably in fund management and with a good understanding of fund accounting and taxation issues.

Candidates are likely to have gained a minimum of two years experience post qualification, but more emphasis will be placed on the individual's level of maturity and presence. This role requires a self confident, proactive approach coupled with excellent communication skills.

Interested candidates should send a full CV with current remuneration details to James Rushworth or Tom Mardon at Michael Page City, 50 Cannon Street, London EC4N 6JJ, fax 0171 329 3426. Ref 482846. e-mail: jamesrushworth@michaelpage.com and tommardon@michaelpage.com

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Financial Controller

West of London £40,000 + Car + Bonus

Our client is a major developer of commercial property. As part of their development activity, they have a number of subsidiary companies operating in leisure, property and facilities management. With the continuing expansion of their business, they seek a Financial Controller for the Group.

Reporting to the Finance Director, your main responsibilities will be:

- Review and develop all financial systems and controls.
- Manage and plan the budgeting and forecasting processes.
- Control of cash, including treasury management.
- Manage and develop the Group's monthly and annual reporting procedures.

You will be keen to take ownership of these functions and to become involved in the strategic direction of the Group. You will also enjoy the hands-on development of financial controls and a motivated finance team. As a qualified accountant with at least two years post qualified experience, probably in a medium sized commercial environment, you will be expected to influence decision making on operational aspects of the business. In return, you will receive an attractive remuneration package and the autonomy to define your role and career path.

Interested applicants should forward a comprehensive CV, including details of current salary, quoting reference 480065 to Peter Istead at Michael Page Finance, Europa House, Church Street, Old Isleworth, Middlesex TW7 6DA. Fax 0181 847 5703. e-mail peteristead@michaelpage.com

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Finance Director

c.£55,000 + Car + Benefits Midlands

Following a period of fundamental change, an exciting opportunity has been created to work closely with the Chief Executive to enhance the business performance and growth of a high profile, private property investment and development business.

THE POSITION

- Deliver effective strategic and operational financial management of investment portfolio. Lead a small team with direct report to Chief Executive.
- Contribute to identification, appraisal and delivery of new investment and development opportunities. Negotiate and secure commercial funding. Analyse and measure investment performance.
- Review and develop IT and other systems. Increase scope and effectiveness of management information. Resource and motivate support personnel.

QUALIFICATIONS

- Minimum 5 years' post qualification experience of senior financial management and business performance improvement. Proven ability to deliver results. Property sector experience an advantage but not essential.
- Strong background in financial planning and analysis. Experienced in identifying and securing commercial funding. Familiar with methods of investment evaluation. Sound knowledge of current taxation issues.
- Highly credible, tenacious and personable. A self starter but equally effective team player. Committed and ambitious. An able negotiator. IT literate.

Please send full cv, stating salary, ref LG201213FT, to NBS, 54 Jermyn Street, London SW1Y 6LX.
Fax 0171 491 0447 Email JeneferW@nb-selection.co.uk Tel 0171 493 6392

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THE ROLE

- Acting as part of an experienced and creative UK Board tasked with developing further an imaginative strategy to maintain and enhance existing strong revenue and profit growth.
- Motivating, leading and developing a substantial and established finance team to improve the quality and responsiveness of financial analysis and establish an effective relationship with Group Finance.
- Evaluating and refining the production of financial and management information to provide UK board colleagues with relevant and perceptive data to sustain profitable corporate development.

THE QUALIFICATIONS

- Graduate Accountant with first-class financial management, modelling and business appraisal experience for a blue-chip, fast-moving business. Media or related experience highly advantageous.
- Challenging yet diplomatic style. Able to respond quickly and assimilate data promptly to generate imaginative business solutions. Capable of and keen to encourage initiative whilst maintaining tight financial control.
- Highly commercial with superior communication skills. Excellent staff and project management skills. Effective and dynamic in market-driven cultures and able to progress further.

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Fax: 0171 298 3388
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Please reply with full details to: Selector Europe, Ref. TRB/28936-1/29, 16 Connaught Place, London W2 2ED

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GROUP FINANCIAL CONTROLLER

C. London — **Highly Competitive Package**

Reiss is a dynamic new force in the design, marketing and retailing of high-fashion menswear clothing. Crowned 'FHM Menswear Retailer of the Year' for 1997, the Group is currently implementing an aggressive plan for national and international expansion.

As part of a major programme to improve the efficiency of financial and management reporting systems across the Group, we are now seeking a highly motivated and exceptionally capable finance professional to take responsibility for the ongoing development and implementation of this programme. The successful candidate will join a small innovative and proactive team responsible for all aspects of financial management and control of the Group.

A key element of this challenging, hands-on role will be the development of internal accounting controls and management reporting systems, with particular emphasis on providing quality financial information on a timely basis to guide the Group's expansion plan.

This appointment requires a high degree of dedication and commitment, and is best suited to someone who excels in a fast moving and demanding environment. The successful candidate will be a qualified Chartered Accountant (or equivalent), aged 25-40, with a proven track record in a retail environment. Ideally, he or she will have a minimum of three years retail experience.

The company offers a very generous and comprehensive remuneration package, together with exciting career development opportunities for the right candidate.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Darren Reiss, Reiss (Holdings) Limited, The Reiss Building, 114 Kings Road, London SW3 4TX, Fax 0171 225 4901.

Car Fleet Project Manager

Horsham, W Sussex — circa £35,000

A Project Manager is required to deliver the design, implementation and management of the Royal & SunAlliance Car Ownership Scheme.

Reporting to the Group Fleet Manager and responsible for the provision of over 5,000 vehicles, the successful applicant will oversee the transition from a traditional car fleet. You will demonstrate both financial and non-financial benefits and liaise with all divisions of Royal & SunAlliance's UK business.

The ideal candidate will be a CCAB qualified accountant with a minimum of 2 years' post qualification experience, together with current knowledge of the UK tax environment. Project management experience with evidence of good analytical skills, excellent communication, drive and determination are all essential for this role.

In return for your commitment, you can expect a highly competitive salary and the kind of benefits you would expect from a leading financial services organisation.

Please send CV with details of your current salary to Sue Davies at Royal & SunAlliance, UK Facilities Management, Stane Court, Albion Way, Horsham, West Sussex RH12 1FB. Fax: 01403 234654.

ROYAL & SUNALLIANCE

We're Unique. Are You?

This is your opportunity not just to share in our success, but to create it.

Cupola is a Regional Development Capital and Operating Group, headquartered in Dubai and with offices in London, Geneva and Karachi.

The Group has grown significantly in recent years and has amassed some of the region's most significant blue-chip alliances and partnerships in the Capital, Consumer and Information sectors. Cupola's in-house Business Development Group handles projects and business ideas from conception, planning and feasibility and into pre-operation.

We are looking for highly motivated individuals for the following Dubai-based positions:

Vice President - Business Development Group

A high quality finance-oriented business developer with more than five years' experience of the communications, technology and light industrial sectors in the West or the Middle East. You should have a proven track record in leading or strongly supporting new business and corporate acquisition strategy in projects up to the $20 million mark. You should possess strong negotiation, analytical and communication skills. You are a persuasive presenter and someone who can multi-task and lead effectively. We would prefer an MBA in either finance, marketing or candidates with professional qualifications (ACA, CFA or equivalent).

Technology Analyst - Business Development Group

You will work with the BDC as a senior analyst, with a specialisation in the communications, media, information or technology sectors. You must possess a firm grasp of trends in at least two of these sectors and be able to drive identification of growth sectors and investment opportunities for a strategic investor like Cupola. You should possess strong analytical and communication skills. You need to be able to develop business plans for the operations you identify and critically evaluate external proposals we receive. You should be an MBA in finance or have a first degree, backed up by at least two years' professional or post-degree experience.

For both positions you should be willing to relocate to the United Arab Emirates.

A comprehensive salary package is offered commensurate with qualifications and experience. Please apply in confidence by sending your CV (marked with the code 'BDG') to:

Amy Peterson, The Cupola Group, P.O. Box 23448, Dubai, UAE.
Tel: 971 4 319668 Fax: 971 4 319665
or e-mail your details in confidence to: amy@cupolagroup.com
For further information please visit our website at www.cupolagroup.com

CUPOLA
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Investment Finance Manager

Kent

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Our client is a leading participant within its sector having built an enviable reputation for quality and professionalism. The company has considerable exposure to currency and commodity price fluctuations and wishes to increase its risk management activities. Additionally, there are significant investments which are dynamically managed for maximum growth.

The position requires an individual to co-ordinate all the commodity and currency operations, investment fund monitoring and management (including the activities of advisers) and significantly to extend the computerisation services of, and communication between, all parties. The role also includes the daily administration of the Pension Scheme, together with certain financial and taxation affairs.

There would be considerable scope to extend the role to assisting in investment appraisals and decisions.

The successful applicant, ideally a graduate with advanced spreadsheet skills, will have an eye for detail, a mature attitude and the ability to liaise effectively with colleagues and financial advisors. An accountancy qualification would be an advantage, as would relevant or adaptable experience.

For further details of this exciting and challenging role, please contact Oliver Wells: Michelangelo Associates, 2 Austin Friars, London EC2N 2HD. Tel: 0171 456 6906, Fax: 0171 456 6925. E-mail: search@michelangelo.co.uk

Michelangelo Associates

International Services Company

GROUP FINANCIAL ANALYST

COMPETITIVE PACKAGE / CENTRAL LONDON

Our client is a leading FTSE 250 international services provider. The Group has strong brands and a pre-eminent position in major global markets operating in 28 countries worldwide. It works in partnership with world-class clients and is committed to continuous improvement. The Corporate Planning & Analysis division seeks an ambitious Accountant to join the team.

THE POSITION

- Join a young, energetic team responsible for evaluation of investment projects, financial planning and support of major corporate projects, such as acquisitions, joint ventures and disposals.
- Play a key role in the analysis and production of the Group Strategic Plan and Corporate Budget.
- Critical point of contact between the Group Finance function and the business units. Close proximity to the business and significant exposure to the Board.

QUALIFICATIONS

- High-calibre Chartered Accountant with corporate finance experience. Impressive academic and career achievements.
- First hand experience of acquisitions and strong project management skills. Pragmatic and rigorous approach to problem solving.
- Dynamic, proactive and a team player with strong interpersonal skills. Ability to build relationships with people at all levels.

Please send a full cv and current salary details, quoting ref: 990115, to Rebecca Stewart, SHP Associates, Aldermary House, 10-15 Queen Street, London EC4N 1TX. Tel: 0171 815 8888. Fax: 0171 815 8800. E-mail: nicola@shpa.co.uk Internet: www.shpa.co.uk

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- Cellnet are a joint venture company between British Telecom and Securicor. Established in 1985 the organisation is one of the principal providers of mobile communication services to the UK business and consumer markets.
- Billings exceed £1.5 billion with over 4 million subscribers. This market is characterised by multiple tariffs, multiple service offerings and is heavily dependant upon developments in leading-edge technology.
- Reporting to the Finance Director, managing a team of 20 finance professionals, this is a challenging opportunity to act in a pivotal role within the Cellnet Technology Group. Principle activities include co-ordinating, reviewing and monitoring budgets (£500m + p.a.), setting and appraising long-term investment plans and developing long-term relationships with Supply Chain, Process, Technology and IT groups.
- A graduate qualified accountant, with an established record of achievement at senior level in a quoted PLC environment, where finance actively contributes to broader commercial decisions. Must have a distinctly commercial outlook aligned to well honed technical accounting skills.
- Outgoing manner with excellent communication skills, capable of quickly gaining credibility, particularly in a customer focused high technology environment. Energetic, resilient and good under pressure. Comfortable working in a relatively informal non-hierarchical and [illegible] orientated business environment.
- Able to contribute to the development of a strong "best practice" finance function which supports rather than constrains the exploitation of high value, high technology solutions in a dynamic, high growth business sector.

Please apply in writing quoting reference 1770 with full career and salary details to: Kevin Bishop, Whitehead Selection, 11 Hill Street, London W1X 8BB Tel: 0171 290 2129. Fax: 0171 290 2085 E-mail: kevin.bishop@amrop.com www.whiteheadselection.co.uk

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Regional Manager

This is a senior executive position with the largest direct sales force in Ireland. You will be responsible for the full operation of a specific region and provide vital input into the future direction of the business.

Ideally, you will be aged 35 - 45 with an outstanding career to date. Management experience is essential along with a proven ability to achieve results through others. You will possess excellent communication skills, a high level of personal initiative plus flexibility to operate in a fast changing marketplace. Knowledge of the personal finance services market would be advantageous.

In return, Irish Life offer a very attractive remuneration package with all the benefit you'd expect from a market leader.

Application Procedure

To apply, send full career and renumeration details to:

John O'Toole, Human Resources Division, Irish Life Assurance Plc, Lr Abbey Street, Dublin 1, by Wednesday 17 February 1999.

Irish Life
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INTERNATIONAL INVESTOR RELATIONS

Leading European based consultancy network seeks additional executives for London office.

Financial background and languages essential, experience in corporate communication an asset.

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Box A6385, Financial Times, One Southwark Bridge, London SE1 9HL

IT Appointments

Quantitative Strategist

Derivatives Model Risk Group – London/New York

J.P. Morgan is a global financial firm with leading positions in investment banking, sales and trading, equity investments, and fund management.

The Derivatives Model Risk Group is responsible for assessing model risk in all global derivatives businesses and developing a firm-wide framework for model risk and model arbitrage management. The group is also involved in strategic research topics from a derivative portfolio management perspective.

Within this group, an opportunity has arisen for a Quantitative Strategist, based in London or New York. The position requires an understanding of the issues involved in calibrating and benchmarking exotic derivative models.

An aptitude to develop complex multi-factor derivative models and the ability to understand the sensitivities of large exotic portfolios is vital. Presentation and communication skills are also important.

Suitable candidates should have 1-2 years experience in derivatives research with a proven track record in pricing model development, calibration using analytical/numerical techniques and exotic parameter management methodology creation. or 1-2 years experience in quantitative trading in exotics with a proven track record of exotic portfolio management. An excellent educational background with an MSc or PhD in Theoretical Physics or Maths from a top-tier university is required.

To be considered for this role, please call Shelley Ashton on 0171 823 2222 (weekends/evenings 0468 418210) or send a full CV, quoting ref. FT0302 to her at Millar Associates, 6 Sloane Street, London SW1X 9LE. Fax: 0171 823 2208. E-mail: shelley.ashton@millarassociates.com

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United Kingdom Debt Management Office

Operations Manager

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City

The UK Debt Management Office (DMO) is an executive agency of HM Treasury which is responsible for the issuance of Government debt and, soon, the Exchequer's daily cashflows. It is in the process of implementing a third-party front to back office system to run its cash management function and is seeking an experienced operations manager to take responsibility for this greenfield site, including building a small, dedicated operations team.

The role is to:

- Take responsibility for the setting up, management, day-to-day running and control of the back office, settlement and associated processes to support front office dealing activities.
- *Ensure* the smooth running of trade confirmations, settlements, collateral, inventory and reconciliation procedures.
- Work closely with the Bank of England and other external bodies.
- Generate management accounting reports.
- Build, manage and motivate the back office team.

You will:

- Have a financial markets background with solid experience in a similar operations management role.
- Demonstrate extensive experience of back office environments, procedures and settlements systems.
- Have a proven track record of working with the Central Gilts Office.
- Ideally have had exposure to treasury front office trading, back office and accounting products and processes including technology systems.
- Have excellent communication and management skills, combined with the enthusiasm and aptitude to join and expand a greenfield site.

The salary offered will take into account the length and quality of previous experience. The DMO is an equal opportunities employer.

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America House, 2 America Square, London EC3N 2AH

Bank for International Settlements

Monetary and Economic Department

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Ref 99474

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Ref 99517

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OPERA

Paris shows London the way forward

Andrew Clark reviews the 'Macbeth' that Covent Garden should have premiered

How do you run a successful opera house? Wednesday's first night of *Macbeth* at the Opéra Bastille in Paris suggested a useful model. Phyllida Lloyd's new production may not have been an artistic revelation, but it provided a strong framework for Verdi's Shakespearean drama, and it was extremely well sung and played – as everything appears to be these days at the Paris Opéra.

Over the past four years audiences in the French capital have enjoyed a succession of solid repertory performances, and the slogan currently adorning the Bastille's entrance is no sham. "Vive(s) l'Opéra", it proclaims. Whether that is a rallying cry for opera in general or the Opéra in particular does not matter. The fact is that 10 years ago, when the Bastille opened, the Opéra was in a mess. Today the building functions properly. Parisians like going there, the old backstage strike culture has disappeared and there is plenty of good singing. In such a context, words like access and accountability are irrelevant; you just need the right man in charge.

In such a context, words such as access and accountability are irrelevant. You just need the right man in charge

While Covent Garden continues its fraught search for an artistic director, under a new management structure that divides power between artistic and executive functions, it's worth examining how the Parisian success story was written. It takes on a poignant note in the light of the recent deaths of three distinguished Intendants (the lofty continental term for opera house chief) – Rolf Liebermann, Bernard Lefort and August Everding, the first two of whom were former directors of the Opéra. They all had strong artistic antennae: Liebermann as composer, Lefort as professional singer, Everding as stage director. In the 1970s Liebermann almost single-handedly restored the Opéra's reputation. Like Everding in Munich, he did not share power with an executive director. He built a dependable team of lieutenants and showed everyone, from politicians to stage staff, who was in charge.

This month's edition of Opéra International includes a glowing tribute to Liebermann from Hugues Gall, the Opéra's current chief, who served his apprenticeship under Liebermann at the old Palais Garnier. Unlike his mentor, Gall could never count himself an artist, and he has not tried to emulate the artistic sensations for which Liebermann is revered. But as anyone who remembers his 15 years at Geneva will know, Gall has an artistic sensibility, and commands extraordinary loyalty among singers, conductors and stage directors. His job in Paris was not to create sensations, but to give the French taxpayer value for money, after the disastrous overspending that initially gave the Bastille a bad name. This he has done. Gall has all the right political connections, he is tough and he knows how to cast an opera. And as part of his Opéra job, he also happens to run the world's biggest and most successful ballet company.

People of Gall's calibre may not grow on trees, but they do exist – a fact that appears to have bypassed Sir Colin Southgate, chairman of the board at "new" Covent Garden. By recruiting a fundraiser as executive director, and expecting to find an artistic director who will bow to the executive's word, Southgate is sending out signals about Covent Garden's future identity. The emphasis seems to be on running a business and keeping his New Labour masters sweet, rather than developing an artistic organism. Until the Royal Opera House returns to the time-honoured system of vesting artistic and executive authority in one person, we can expect a weak executive and an interfering board.

It is ironic that the new *Macbeth* in Paris was originally intended for Covent Garden's closing jamboree in 1997: in the fraught run-up to redevelopment, it had to be postponed at the last minute – leaving the Bastille, as co-producer, to give the premiere. Whether it will return to London is anyone's guess. If it does, it will give Lloyd a chance to clear out some unnecessary frills.

Anthony Ward's set is an austere metallic box: it looks like a modern stylisation of a medieval castle interior, opening up at the back for a series of showy gestures which illustrate the drama instead of illuminating it. Much is made of a big brass cage – metaphor for the gilded imprisonment of power – in which the Macbeths are enthroned and meet their death. Costumes range across several centuries and continents: the witches are red-turbaned martial arts groupies, Duncan's retinue seems to have drifted out of an Arabian knights saga and the Macbeths are draped in the golden apparel of an absolute monarchy.

It's a beautifully lit postmodern staging, the visual style of which is nearly torpedoed by Lloyd's tendency to over-egg the pudding. She stresses Verdi's less elevating staccato rhythms by making the chorus ape them, and leaves little to the imagination: everything from Lady Macbeth's bath to the ripping of Macduff from his mother's womb is slavishly mimed for our delectation.

This compulsion to fill musical space suggests inexperience rather than wilfulness. The basic tenets of Lloyd's approach are imaginative and truthful, particularly the way the witches stage-manage each scene, like demons within. There's a strong sense of spectacle – essential for Verdi's 1865 revision – but Lloyd has the good sense to clear the decks for the Act 1 duet and the sleepwalking scene.

She is lucky to have two such credible singers in the leading roles. Jean-Philippe Lafont's mature Macbeth is big in stature, dogged in temperament and generous in vocal declamation. He just about manages to keep up with Maria Guleghina, who has finally made the role of Lady Macbeth her own. She has presence, a house-filling voice and a majestic way with the vocal decorations. Above all, she has learned to impersonate Verdi's music rather than just sing it: her hectoring legato and *sotto voce* squalls in the conspiratorial first duet were thrillingly realised.

The other parts, led by Franco Farina's Macduff, were capably filled, and Gary Bertini's conducting matched *grandezza* to fine-sprung ensemble and light-footed instrumental nuance. On this evidence, Paris seems to have found a solution to its opera problems. Can London do the same?

Thrilling: Maria Guleghina and Jean-Philippe Lafont in the title roles

MUSIC

From Lieder to show biz

It is not only in opera that American singers are starting to dominate. Success in one area of music naturally leads to a desire to make a mark in others too.

Two American singers have appeared in recitals in London over the past week – one established, the other at the outset of his career. At St. John's, Smith Square the soprano Deborah Polaski approached the song repertoire from above, as it were, coming down from the Wagnerian heights at Bayreuth to the more modest, though not less demanding, requirements of the humble art-song.

For a dramatic soprano she fares surprisingly well. An apology was made at the half-way point for a voice which was said to be responding less well than it had at the rehearsal in the afternoon, but there was still a true legato and a feeling for the intimacy of the German Lied (though the long-breathed, floating lines of a couple of Mahler's Rückert Lieder did elicit some wayward tuning amid other lesser signs of strain.)

What we did not hear often was opera's reigning Valkyrie in full cry. Even Wagner's *Wesendonk Lieder*, favourite refuge of the dramatic soprano on the recital platform, was sung more as a true Lieder singer would – gentle shading, clear words, attention to detail – and Charles Spencer found some subtle colours in the piano accompaniment.

Perversely perhaps, it was largeness of spirit that was missing. Neither the more tempestuous of her Brahms songs nor the fragrant among the Mahler stepped outside a limited expressive range. Polaski needs to take more risks and stamp her personality on the song repertoire with a bit more determination.

A few days earlier at the Wigmore Hall it had been the turn of a young American baritone, Marcus DeLoach. Having won the first Wigmore Hall International Song Competition last year, he was now back for what was in effect prize-giving day – his own solo recital of mixed Italian, German, French and American songs, accompanied by Thomas Bagwell.

No doubt the judges set out to find a singer with a special feeling for song, but on the evidence of this recital DeLoach is notable first for voice (steady, strong, with obvious potential for opera), second for his sense of showbiz (the encore from *My Fair Lady* had a real buzz) and only third – some way behind – for an affinity with the standard song repertoire.

Part of the problem was that holding the voice back seemed to make the intonation shaky, as though he needed a good sing at full throttle to blow the cobwebs away. That happened with the American group of songs, and splendidly too. Released from the need to be respectfully stylish, his virtues suddenly sprang to life. This was first prize material: a shame we could not have had more of it.

Richard Fairman

SPONSORSHIP

Companies widen their cultural horizons

It's surprising, but it's official. Last year, or rather the year ending at March 1998, produced a record investment by British business into sponsoring the arts. There was a 20 per cent rise to £115m in 1997-98 according to the Association for Business Sponsorship of the Arts.

As ever, London attracted the bulk of the investment, £48.8m, but companies seem to be broader minded about the arts that they support – the old safe favourites, music and opera, have been overhauled by the more challenging theatre, which along with museums and galleries, received almost £20m of the bounty, as against £10.9m for music and £8m for opera.

But while companies see the myriad advantages in sponsoring arts events – to underpin marketing campaigns as well as for corporate hospitality and to achieve a charitable glow – they are less keen to invest in capital projects. Expenditure here grew by £2.5m. to £19.4m, but arts companies were expecting the corporate sector to be much more generous as it seeks partnership funding for lottery bids. Sponsorship in kind continues to grow, up £1.6m to £9.2m, but there was a slight dip, to £10.3m, in corporate membership donations.

The growth in sponsorship owes much to the commitment of newer, medium sized companies, especially in the financial services area. There is still a great need for business to think of the arts more strategically, as a creative force that can invigorate all corporate activities, rather than as a temporary PR flavour of the month, or three years.

To help achieve this, in March ABSA is changing its name. It is dropping the sponsorship word in favour of a broader creative approach. Unfortunately, with the growth of the internet, it is proving hard to find a name that has not already been grabbed.

★

Typical of the financial companies which are rallying around the arts is Clerical Medical, which has announced a three year, £150,000, deal with the Spitalfields Festival. It becomes the festival's first principal sponsor.

Safe favourites, music and opera, have been overtaken by more challenging theatre

Like many such links, it started in a small way: in 1993, as support in kind, it posted 1,000 letters for the festival. In 1994 it sponsored a concert and has been so pleased with the event that it has now gone all the way.

★

Where would the arts be without rich individuals and their trusts? Arts companies seeking partnership funding to secure lottery money for a new building have had much more success with charities than with corporations. And still the generosity continues.

Last month the Royal College received the largest donation from a trust in its history – £1m from the Helen Hamlyn Foundation to finance a research centre which will come up with design solutions for the social problems of the future.

It grows out of DesignAge, also funded by the foundation, which has worked with companies to improve the lives of the elderly. One successful project involved making Safeway supermarkets more accessible to the aged.

The new centre has a wider brief and will concentrate on "design for our future selves". *Among its first projects* will be how better design can help people working at home and how to prevent the growing number of "call centres" becoming the sweat shops of the future. RCA students will help develop the good ideas. The centre hopes to attract more funding from companies, the government, and other trusts.

The Helen Hamlyn Foundation is itself the recipient of generosity. The initial funding came from her husband, Paul Hamlyn, whose own charity has helped many arts institutions, most notably the South Bank Centre. He is still committed to giving around £15m if the centre can come up with a new architectural plan which attracts sufficient lottery money.

★

Individuals can also help the arts in kind. The Kneehigh Theatre of Cornwall opens at the Cottesloe at London's National Theatre next Thursday, with Nick Drake's play *The Riot*, thanks to Pete Townshend, the guitarist of The Who.

The play is a co-production with the National but Kneehigh wanted to pay its way, which meant raising at least £30,000. Fortunately it has a fan in Townshend, who has a home in the county. He flew in his band from the US and played a rare benefit gig at the Hall for Cornwall in Truro – which raised £20,000.

Kneehigh hopes that the London exposure will help find it a more permanent funder: BT has just come to the end of its three year sponsorship, which was worth £30,000 a year.

Antony Thorncroft

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Carmen: by Bizet. New staging by Andreas Homoki, conducted by Edo de Waart. The designs are by Wolfgang Gussmann and Gabriele Jaenecke, and the cast includes Carmen Oprisanu and Martin Thompson; Feb 6, 9

BARCELONA

EXHIBITION
Fundació Joan Miró
Tel: 34-93-329 1908
www.bcn.fjmiro.es
Magritte: exhibition celebrating the centenary of the artist's birth. Includes over 90 paintings and 50 photographs; to Feb 7

BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203090
Berlin Symphony Orchestra: conducted by Eliahu Inbal in works by Liszt. With mezzo soprano Doris Soffel and pianists Donald Sulzen and Enrico Pace; Feb 6

OPERA
Deutsche Oper
Tel: 49-30-34384-01
Manon: by Massenet. Conducted by Sebastian Lang-Lessing in a staging by Cesare Lievi; Feb 5

BRUSSELS

CONCERT
Palais des Beaux Arts
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Ives, Canteloube and Prokofiev, with soprano Christine Brewer; Feb 7

OPERA
La Monnaie
Tel: 32-2-229 1211
Lady Macbeth of Mtsensk: conducted by Antonio Pappano in a new staging by Stein Winge, with sets by Benoît Dugardyn and costumes by Jorge Jara; Feb 5, 7, 10

CHICAGO

OPERA
Lyric Opera of Chicago
Tel: 1-312-332 2244
www.lyricopera.org
Roméo et Juliette: by Gounod. Conducted by John Nelson in a staging directed by Nicolas Joël. The cast stars Roberto Alagna and Angela Gheorghiu; Feb 5

DALLAS

OPERA
Dallas Opera
Tel: 1-214-443 1000
www.dallasopera.org
La Bohème: by Puccini. Conducted by Antonello Allemandi in a staging by Mark Lamos, with sets by Michael Yeargan; Feb 6

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Matisse and Picasso: A Gentle Rivalry. More than 100 paintings, sculptures and drawings on loan from collections around the world make up this first-ever exhibition devoted to the relationship between the two great modernists; to May 2

FRANKFURT

CONCERT
Alte Oper
Tel: 49-69-134 0400
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Barber and Mahler, with violin soloist Gil Shaham; Feb 6

GLASGOW

OPERA
Theatre Royal
Tel: 44-141-332 9000
Scottish Opera: Der Rosenkavalier, by R. Strauss. New staging by David McVicar, conducted by Richard Armstrong. The cast includes Joan Rodgers, Stella Doufexis and Lisa Milne; Feb 6

HANOVER

CONCERT
Grosse Musikhalle
San Francisco Symphony Orchestra: conducted by Michael Tilson Thomas in works by Mendelssohn and Mahler, with violin soloist Gil Shaham; Feb 5

HOUSTON

THEATRE
Houston Grand Opera, Wortham Center
Tel: 1-713-227 2787
www.hgo.com
A Little Night Music: by Sondheim. Grant Gershon conducts a production by Michael Leeds, with a cast including Frederica von Stade, Thomas Allen and Sheri Greenawald; Feb 6, 9

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
● London Symphony Orchestra: conducted by Colin Davis in works by Beethoven and Elgar, with piano soloist Richard Goode; Feb 7
● Vienna Symphony Orchestra: conducted by Vladimir Fedoseyev in works by J Strauss, Mozart and Beethoven, with piano soloist Artur Pizarro; Feb 11

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
● La Traviata: by Verdi. Michael Lloyd conducts a revival of Jonathan Miller's production. Cast includes Claire Rutter and Alan Opie; Feb 6, 9

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Philharmonie Folkwang Essen: in works by Bach and Beethoven, with violin soloists Nigel Kennedy and Peter Daniel; Feb 5
● St. Petersburg Philharmonic Orchestra: conducted by Yuri Temirkanov in works by Prokofiev and Ravel; Feb 11

EXHIBITION
Haus der Kunst
Tel: 49-89-211270
The Night: exploring the development of the nocturne, or night time scene, in western art from the 15th to the 20th century. Includes early examples by artists including Cranach, baroque works by Caravaggio and his followers, and works by the German romantics. Other artists represented include Goya, Munch, Max Ernst and Magritte; to Feb 7

NEW YORK

DANCE
New York City Ballet, New York State Theater
Tel: 1-212-870 5570
Celebrating Five Decades of Repertory: continuing 50th *anniversary celebrations*; Feb 5, 6, 7, 9, 10, 11

EXHIBITION
Guggenheim Museum
Tel: 1-212-423 3500
www.guggenheim.org
Picasso and the War Years 1937-1945: more than 75 works - paintings, sculpture and works on paper - which together explore Picasso's response to the period which began with the Spanish Civil War and ended with the liberation of France. Includes major public and private loans; from Feb 5 to May 9

OPERA
Metropolitan Opera, Lincoln Center
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Moses and Aron: by Schoenberg. Conducted by James Levine in a staging by Graham Vick, with sets and costumes by Paul Brown. Cast includes Philip Langridge and John Tomlinson; Feb 8, 11

PARIS

CONCERTS
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Orchestre de Paris: conducted by Frans Brüggen in works by Bach, Mozart and Mendelssohn; Feb 10, 11

OPERA
Théâtre des Champs Elysées
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Opéra National de Lyon: Zelmira, by Rossini. Conducted by Maurizio Benini in a staging by *Yannis Kokkos. The title role is* sung by Mariella Devia; Feb 10

VIENNA

CONCERTS
Musikverein
Tel: 43-1-5058 6810
San Francisco Symphony *Orchestra: conducted by Michael* Tilson Thomas in works by Ives, Mendelssohn and Prokofiev, with violin soloist Gil Shaham; Feb 8, 9

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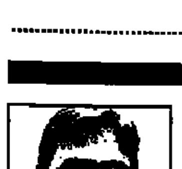
At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.



PHILIP STEPHENS

Tony's test of time

Mr Blair cannot stay on the fence over the euro for much longer – he must make his mark in the history books

It seems that prime ministers are never too young to think about the history books. For as long as he has been in 10 Downing Street Tony Blair has had an eye on posterity. There are two interlocking ambitions. One presumes to remake the landscape of Britain's domestic politics to deliver the future to the centre-left. The other takes in a wider vista to imagine a nation at ease with itself in Europe.

The best that can be said of the first of these is that it is fading. Mr Blair has blurred but not erased the tribal boundaries on the centre-left. In retrospect, it seems that his gentle wooing of the Liberal Democrats has sacrificed strategic vision to tactical caution. I think the position is recoverable – just. Others closer to the prime minister will tell you the moment has been lost.

It is Europe, though, that now challenges Mr Blair's presumptions. It asks him to demonstrate that he is indeed one of the very few leaders who write the pages of history. Or is he after all another face in the crowd, too burdened by the past to dare seize the present?

The euro has been with us for a month. It is fatuous to declare it a success. We may know more in five years. We may have to wait 10. All that can be said at this point is that, in spite of the deflationary zeal of the European Central Bank, it has not obviously failed. But that in itself is enough to rewrite the terms of the debate in Britain.

We think we know that Mr Blair intends that sterling should join. So he whispers anyway to the anxious business leaders who daily cross the threshold of his Downing Street study: "Don't worry, it is a question of when rather than if." And the when, he intimates, is not too far distant.

The same words are heard at gatherings of his continental counterparts. It happened last weekend, I am told, when European socialist leaders met in Vienna. Trust me, Mr Blair asked. More than that, help me to nudge Britain's sceptical populace in the right direction.

He wants the European visionaries to tone down the rhetoric. There has been too much said about a single economic government. Phrases like the construction of Europe, which come easily to the heirs of Jean Monnet, tend to jar on the English side of the Channel. British voters – nearly two-thirds of whom tell the opinion pollsters they want to keep their pound – fear the euro as the slippery slope to a superstate.

I would be surprised then if it was pure coincidence that on his return from these conversations in Vienna Oskar Lafontaine, Germany's hitherto outspoken finance minister and bête noire of the British tabloid press, told colleagues in Bonn to eschew in future any loose language about tax harmonisation.

Others have been enlisted in Mr Blair's cause. Thus Wim Kok was offered a platform this week from which to tell the doubting Brits that Dutch nationhood had survived the coming of the euro. More such invitations are in the post.

This, you might say, is shrewd politics. And, as far as it goes, it is. Mr Blair has promised a referendum before signing up for the single currency. We know (or think we know) he has pencilled it in for just after the next general election – September 2001 remains the favoured date of Whitehall insiders. So a sensible start is being made on the conditioning process.

Gerhard Schröder, Lionel Jospin and the rest do want to help. We tend to forget now the devastation wrought by the Eurosceptic convulsions of the last Conservative government. I was reminded lately by one ambassador in London that his government simply stopped talking to John Major's administration.

Bridges have been rebuilt. At first it was just warm words. And, as so often with this government, the rhetoric still outpaces the reality. But Mr Blair's enthusiastic advocacy of a European defence capability has added substance to the mix. Perhaps, I have heard French policymakers remark lately, Albion is not quite so perfidious.

Only perhaps. The euro is the test. There are moments in politics when careful calculation cannot substitute for boldness. Tactics must serve a strategy. And that is the reality now pressing on Mr Blair. The nod-and-a-wink approach has run out of time. How can Mr Lafontaine be asked to bite his lip when Mr Blair will not say in public what he confides in private?

We should not expect an unequivocal date for entry. To fix a firm timetable regardless of economic circumstance would be as foolish as the government's present insistence that it will join only when the benefits are "clear and unambiguous". Economics are never clear and unambiguous. But if we are to take seriously his whispered intent, Mr Blair must be brave enough at least to replace "if and when" with "as and when".

The present formula implies that even if Britain jumps the economic hurdles set by Gordon Brown, the chancellor, there might still be a case for staying out. The minimum now required is a commitment that the government "intends to participate, providing that..." And such a commitment needs a broad, if flexible, timeframe.

To those unfamiliar with the extreme sensitivities of the European debate in Britain this may seem like semantics. It is not. Robin Cook, the foreign secretary, is among those who agree the present stance would be unsustainable during a general election campaign. It would be impossible for Mr Blair to say he had not made up his mind and then, within a few weeks of polling day, ask the same electorate to endorse a decision to join.

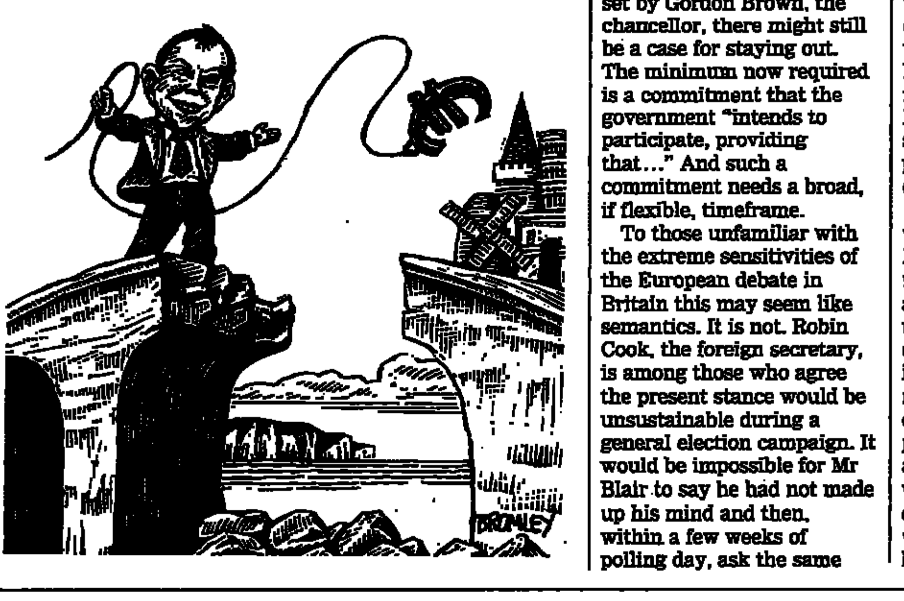
Peter Mandelson was pressing this point hard before his enforced departure from the government in December. Mr Mandelson was present at only about a dozen full meetings of the cabinet. I am told his one substantive contribution was to declare it was time to take the offensive against the Euroscepticism of the Conservatives and their allies in the media. Only then could Mr Blair avoid the ambushes – such as that over tax harmonisation – into which he now stumbles.

My understanding is that Mr Blair broadly shares this analysis, even if he remains careful not to show his hand. He has been heard to say in recent days he fully accepts that joining the euro cannot be achieved by stealth.

The contrary voice counselling caution is that of Mr Brown. Within the next few weeks the chancellor will publish a "national changeover plan" – setting out the nuts and bolts involved in swapping pounds for euros. But Mr Brown insists the accompanying words must not deviate from the wait-and-see position he enunciated in October 1997.

Some say this is a question of *amour propre*. Mr Brown is a jealous guardian of his own reputation. I find it curious that he sees a problem. The world has moved on since 1997. And did not a famous economist once say something about changing one's mind when the facts change? To be fair, others say Mr Brown thinks there is scope enough within his original statement to nudge the position along. Either way, there is something to be settled by prime minister and chancellor.

Another nod and another wink is not enough. Before Britain votes on Emu it must settle the argument about the politics as well as the economics. It must decide what sort of country it wants to be: a Canada (and no slight is intended here) on the edge of Europe or a power within it. That argument can be had only when Mr Blair has staked out the case for joining. To wait and see is to invite history to pass him by.



Brazil's unenviable choices

Failure to curb financial turmoil in the wake of its currency devaluation has left the government with few easy options, write Richard Lapper and Geoff Dyer

Brazil is showing the early signs of financial meltdown. What began as an attempt at a controlled devaluation is turning into a panic. Last Friday, Brazilians queued outside banks to withdraw their savings amid rumours that the government was about to freeze bank accounts. Interest rates have been raised to 39 per cent to steady the Real, which has lost almost 50 per cent of its value since the currency was allowed to float on January 13.

In the past few days, Pedro Malan, finance minister, has offered to resign, while the central bank has been given its third president in less than a month. An International Monetary Fund mission is in Brasília this week, renegotiating the terms of last year's $41.5bn emergency support package. But Stanley Fischer, the IMF's first deputy managing director, was returning to Washington last night without any sign that Brazil and the Fund were close to an agreement. There is growing scepticism that Brazil can deliver on fiscal reforms agreed with the IMF last October.

With confidence slipping fast, even George Soros, the international speculator, felt he had to lend a helping hand to Arminio Fraga, Brazil's new central bank chief and the former managing director at Soros Fund Management.

Mr Soros told the world economic summit at Davos in Switzerland that the Real was "clearly undervalued". "Brazil is in a very acute situation because on Friday you effectively had the beginning of a run on the banks and a run on the currency," Mr Soros said. He did not think the Brazilian government had much time to sort things out.

How did Brazil begin to unravel?

The government is finding it much harder to service its $94.7bn gross external debt at a time when it is all but cut off from international capital markets. Private sector companies are in much better shape, but their external debt has more than doubled in the last two years to $119bn at the end of 1998.

More worrying is the government's R$320bn domestic debt, owed mainly to Brazilian banks and other financial institutions. The recent currency depreciation has increased the stock of the debt, because about R$60bn is linked to the value of the dollar. About half of this debt falls due this year. Already there are doubts about whether investors will agree to roll it over.

The increase in interest rates – from 29 per cent to 39 per cent – will also increase the cost of debt servicing. One UK economist estimates each percentage point increase in interestrates increases debt service payments by R$2.5bn a year. When Brazil was negotiating its emergency aid package with the IMF, the government's interest bill this year was estimated at 7 per cent of gross domestic product. But following the devaluation, and with interest rates at 39 per cent, the interest bill is likely to be closer to 17 per cent of GDP.

Felipe Garcia, an analyst with Idea, a New York-based consultancy, says that some government creditors could eventually conclude that the interest rates or yield – no matter how high – would not compensate the risk of holding government paper.

"We have already reached the stage where it has become more difficult to place government debt. The fear is that at a further stage these investors will start dumping paper," he said. "Even if only 10 per cent of creditors were to sell, it could trigger a rescheduling."

So what are the government's options? Broadly, it has three: default, followed by renegotiation of debt; to slash public spending to compensate for higher interest payments; and to reduce the real value of domestic debt by inflation. All are unenviable, to put it mildly.

Duff & Phelps, an international credit rating agency, believes that the country has a one in three chance of defaulting on its domestic debt.

But default, as Russia is finding out, has consequences so devastating that

> **'Brazil is a very acute situation. This is the moment. I don't think there is a great deal of time'**

the government will try hard to avoid it. For one thing, a domestic debt default would be a severe blow to Brazil's banking system. Holdings of government paper account for between 20 and 30 per cent of the banking system's assets. Even a 10 per cent fall in the value of this paper would be enough to wipe out the entire sector's profits last year.

Worse still, at time when high interest rates and economic contraction are increasing the number of bad loans, default could force some smaller banks into insolvency. "There would definitely be a banking crisis," predicts Lacey Gallagher, director of Latin America sovereign ratings at Standard & Poor's, the credit rating agency. "The only way to prevent banks becoming insolvent would be to freeze their liabilities (such as bank deposits) as well."

Default, however, is not inevitable. The government could try further budget stringency.

There is a chance that the government could stabilise its currency, halt the steady outflow of dollars and reduce interest rates. Indeed, last week's panic began to ease when Fernando Henrique Cardoso, president, made it clear he had no intention of hijacking the savings of his compatriots. The Real has appreciated by about 10 per cent against the dollar since Friday. For stability to be restored the government would need to convince investors, banks and the IMF that it is making serious progress in reducing its fiscal deficit, now equal to 9 per cent of gross domestic product.

Making cuts of this magnitude is politically controversial. Congress has already approved new taxes and bigger pension fund contributions from civil servants that are expected to produce R$28bn in savings. But with interest rates so high, the government is running to stay in the same place. The fiscal savings have already been eroded by its increased debt servicing costs.

That leaves option three: risking a bout of inflation to reduce the real value of domestic debt. In Brazil it is heretical to admit that there can be any positive impact.

Mr Fraga, the new central bank governor, says that for a country like Brazil, a little bit of inflation is like giving a drink to a recovering alcoholic.

Paulo Paiva, budget minister, adds: "We would far prefer to cut costs than rely on the help of inflation to create fiscal equilibrium."

The harsh reality, however, is that inflation could help.

Brazil's history of high inflation, and the failure of the authorities to manage inflationary expectations in the past, means that many businesses are already beginning to prepare for a new wave of price rises. Private sector forecasters are already expecting price rises of at least 10 per cent and many acknowledge that the rate could be much higher.

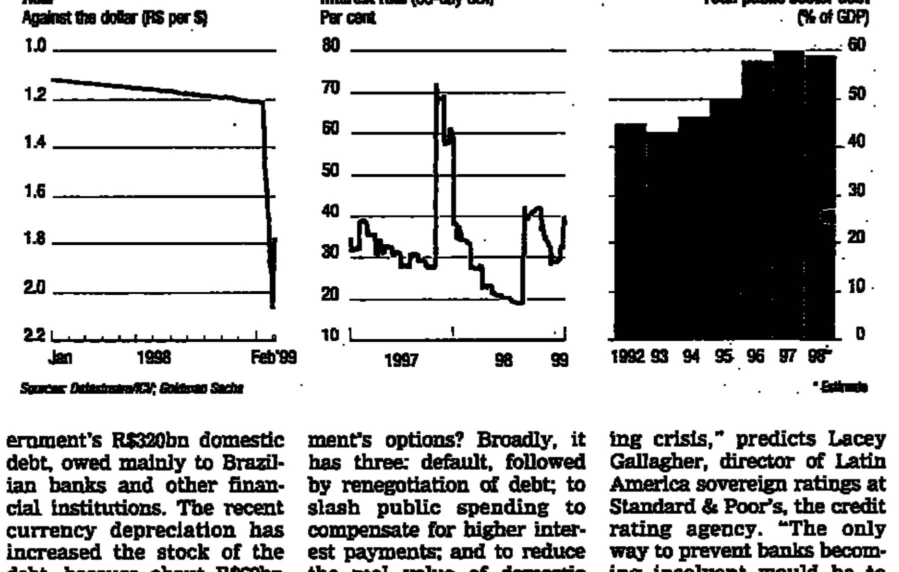
Inflation could ease Brazil's debt problems. Even if nominal interest rates remain at current levels, price increases of even 10 per cent a year would reduce real rates and the burden of both existing debt and interest payments.

In additional, while inflation will increase government revenues, many of its expenses are fixed in nominal terms, which should help in further reducing the fiscal deficit and reduce financing requirements.

However, a rise in inflation would hit Brazil's wage earners and make the government unpopular. But even modest levels of inflation would be hugely controversial in Brazil.

Furthermore, price increases would bring back to spectre of indexation. President Cardoso scrapped the system five years ago, but if prices were to rise again, the government would come under enormous pressure from the trades unions to reintroduce it.

"A moderate level of inflation would help them address the domestic debt problem with much less political fall-out than an outright default," says Ms Gallagher. "But a return to indexation would be extremely damaging. Given Brazil's history with inflation it is a delicate balance. They are facing some really tough choices."



Source: Datastream/ICV; Goldman Sachs

LETTERS TO THE EDITOR

Lord Mayor flying in face of logic

From Mr Rodney Leach, Sir John Craven and Mr Stanislas Yassukovich.

Sir, The Lord Mayor's repeated warnings that the City may lose out if Britain does not adopt the euro are a departure from the traditional political neutrality of his office ("City of London mayor deplores delay over entry", February 3). They also fly in the face of business logic.

The strength of a global financial centre does not depend on politics or on the currency in which firms pay their employees and their overheads. It depends on innovation, reputation, the ability to attract and hold top class management from every corner of the world. It depends on even-handed regulation; on the English language; on a vast infrastructure of lawyers, accountants and services such as overnight printers; on low taxes and social costs; on labour flexibility; and on the clustering effect, whereby a matchless concentration of talent feeds off itself.

Of course our would-be European competitors view this formidable array of advantages with envy and try to talk the City down. But the sight of the Lord Mayor uncritically recycling the propaganda of these rivals is unedifying.

As for his remark that the City might not be "allowed" to be the leading market for euro-denominated business, this may make sense in an authoritarian state. In a free market world it is meaningless.

Rodney Leach, chairman, Business for Sterling, 18 Buckingham Gate, London SW1E 6PE, UK; Sir John Craven, chairman, Lonrho and former member of the board of Deutsche Bank; and Stanislas Yassukovich, chairman, S. M. Yassukovich and former deputy chairman London Stock Exchange

London can fend off the malcontents

From the Lords Stoddart, Harris and Pearson.

Sir, Lord Levene, the Lord Mayor of London, is reported as saying that "London could start to lose out if the UK's entry into economic and monetary union is delayed". The reason, so he is reported as saying, is that "a superpower [ie, euroland]... might not be content to allow an offshore centre, London, in the same time-zone, to be the leading market for euro-denominated business".

Spot on. Frankfurt and Paris have never been "content" that London is so successful. They never will be. The only question is this: will London be more successful at fending off the predatory intentions of its rivals outside the euro, or inside?

Outside, London can still make some, if not most, of her own decisions. Inside, she will be increasingly subject to Qualified Majority Voting – usually as one against 10 or 12 or 14. The Germans and the French make no secret about their agenda on QMV, tax harmonisation and social harmonisation. They want more of all of them. None of that can help London.

Does Lord Levene – or anybody else – seriously believe that, if Britain joined the euro, Frankfurt and Paris would call off hostilities? Of course not. They would redouble their efforts. The sooner the City realises that, the better. Meanwhile, London appears to have notched up more than 60 per cent of all deals in the euro since it was launched. We trust this affords Lord Levene some comfort.

Lord Stoddart of Swindon (Labour), Lord Harris of High Cross (Independent), Lord Pearson of Rannoch (Conservative), Global Britain, 126 Great Portland Street, London W1N 5PH, UK

Rotten borough's threat to finance sector

From Mr Malcolm J. Matson.

Sir, Your report highlights the absurdity of the situation with regard to the Corporation of London. The continuation of this rotten borough not only threatens Tony Blair's plans to bring democracy to all of London; it also threatens the wellbeing of the London financial sector of which it has become the self-appointed spokesman.

Peter Levene, the current Lord Mayor, may well have a distinguished business career, but there is no guarantee under the system that this will always be the case. Next year it will be the manager of a printing and stationery business from Potters Bar.

We all know the Lord Mayor of the City is not elected by City practitioners (he is, after all, the appointee of his 12 or so predecessors). But even if he were, that would no longer equip him to speak for the financial sector, as vast swathes of "the City" now operate from Docklands, Westminster, Islington or elsewhere. Neither the Lord Mayor nor the Corporation of London has any statutory standing beyond the Square Mile.

Nor does their paltry Private Bill now before parliament do anything to rectify this; nor could it. Thank goodness that, at the very moment the Lord Mayor was supping Chablis in Paris, a number of Labour MPs were objecting to the second reading of the Corporation of London (Ward Elections) Bill, thereby almost certainly committing it to the scrap heap.

So, are we really going to leave the promotion of London as a global financial centre to a legendary figure's successor rather than to the elected Mayor of London? Even a legitimate "first chamber of finance", totally unrelated to local government but chosen by the entire financial sector based on London, would be better than what lies in store.

Unless parliament addresses the absurdity of the Corporation of London in the context of the Greater London Authority Bill, great confusion and damage to London as a global financial centre will be done.

We will be the laughing stock of Europe in 2001 when there will be two mayors of London to address the bankers in Paris. Parliament had better wake up to what is happening before it is too late.

Malcolm J. Matson, 9 The Postern, London EC2Y 8BJ, UK

Europhiles got this bit right

From Mr Douglas Ellison.

Sir, You make much of the fact that the financial Christmas present, the euro, took 50 per cent of all new issue business in the first month of its launch.

The hyperbole and political capital invested in the euro meant any self-respecting bank wanting to win mandates from the EC stable of borrowers bent over backwards to be part of the new game in town and artificially boosted the euro's share of new issue business.

So it is a shame for those who invested $100 in euro debt on January 4 that it was worth only $95 at the close on February 1. Is this what europhiles mean when they say things will be cheaper in the euro?

Douglas Ellison, chairman, City branch of the Campaign for an Independent Britain, 52 Beaconsfield Road, Greenwich, London SE3 7LG, UK

UK's takeover regulations eased Mirror chief's removal

From Dr Geoff Stapledon.

Sir, The institutional shareholder-led removal of David Montgomery, chief executive of Mirror Group ("Institutions force Mirror chief to resign", January 27), raises an interesting issue regarding regulation of takeovers.

The UK's current system for regulating takeovers, a self-regulatory system relying on the City Code and the Takeovers Panel, is conducive to (or at least not a disincentive to) activism by institutional investors. This is in marked contrast to US and Australian takeover regulations. If the UK's system were to be discarded in favour of a statute-based system (as the draft Takeovers Directive envisages), this may change overnight.

In the US, Canada and Australia, the rules that require disclosure of substantial shareholdings, and (in Australia and Canada) a bid to be made if a threshold shareholding is to be exceeded, apply not only to single shareholders. They also apply to aggregate the shares of "associated" shareholders. If three or four institutions discuss acting collectively at an underperforming company, they risk becoming "associates" and facing legal action for breach of the takeovers legislation.

Interestingly, while collective institutional investor activism in the UK may technically invoke the mandatory bid rule in the City Code (via the "concert party" provisions), the non-judicial Takeover Panel would likely view the situation for what it is: a one-off, ad hoc, corporate governance-related incident. The panel at present has the flexibility to apply the rules of the City Code appropriately in this type of situation. It is able to avoid a legalistic and technical approach where appropriate. So here we have another consideration to be taken into account in the debate on whether to move to a statute-based system of takeover regulation.

Geoff Stapledon, director, Institutional Analysis Pty and academic visitor, Faculty of Law, Oxford University, St Cross Road, Oxon, UK

Parallels with 1988

From Mr Dan McLaughlin.

Sir, The pace of economic growth in the US ("Oasis of prosperity", February 1) raised the possibility that the next policy move by the US Federal Reserve will be to increase short-term interest rates, which would be a replay of policy developments following the 1987 stock market crash.

The Fed Funds rate was trimmed by a total of 80 basis points between October 1987 and February 1988 in response to fears that US and world growth would be severely dented by the plunge in equity values across the globe. In the event US growth, far from slowing as expected, accelerated strongly, boosted by the monetary injection from the Fed: gross domestic product rose 3.8 per cent in 1988, following 2.9 per cent growth in 1987. The strength of economic activity prompted the Fed to reverse policy in March 1988, with the first of a series of tightening moves.

The parallels with recent monetary developments are striking: the Fed Funds rate has fallen by 75 basis points since September 1998, in response to a perceived threat to growth stemming from financial market turbulence, but the strength of the US economy is reportedly causing a number of Federal Open Markets Committee members to doubt the wisdom of such a move. Therefore there is a risk that history repeats itself to the extent that the March FOMC meeting will raise rates, just as in 1988.

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FINANCIAL TIMES

The lessons of LTCM

Japanese bonds

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FINANCIAL TIMES

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Friday February 5 1999

The lessons of LTCM

The heads of the 14 financial institutions that bailed out Long-Term Capital Management met yesterday for the first time since the deal was arranged. Whatever the disagreements within the consortium, they can only be pleased with the results of their actions last September.

The conduct of the bail-out was, by almost any standards, a success – certainly far more successful than the International Monetary Fund's attempts in Asia, Russia and Brazil. The process was carried out speedily, with the help of the New York Federal Reserve, and the unwinding of trades managed smoothly. The market divergences that caused LTCM to sink deep into the red have now reversed, leaving LTCM a profitable (and much less leveraged) institution. The biggest issue for the consortium is when, not whether, it will take its money back.

More debatable is whether the *LTCM* bail-out was necessary to avert a global financial meltdown. The truth is that we will never know for sure. The Fed, in its privileged position, may well have suspected that LTCM's collapse would trigger a cascade of failures of financial institutions; the global economy was in no state to withstand such a shock.

But the opportunity to teach financial market players a much-needed lesson about the dangers of hedge funds was lost. Instead, the bail-out reinforced the moral hazard problems that first arose from the IMF's actions in Asia.

Nothing about the bail-out itself will induce the hedge funds to change their behaviour. LTCM's management were allowed to keep their jobs, and already John Meriwether, the senior partner, is blaming other Wall Street institutions for LTCM's misfortunes and is looking for new funding. The funds may exercise greater caution following the market shocks, but this is likely to be short-lived.

Perhaps this is inevitable: hedge funds, along with other speculative institutions, will by their very nature be tempted to take large risks. More regulation may only push them offshore. Much more important is whether banks – which lent to the hedge funds – have learnt anything. So far the news is good; banks are reducing their exposures to the riskier funds. But this prudence may not last long. Hedge funds are only the latest in a line of highly profitable wheezes that have tempted banks to overexpose themselves in areas they do not really understand. Ideally, what is needed is a change in the culture of risk assessment; otherwise, changes in regulation will have to fulfil the purpose.

The rescue of LTCM was almost a textbook *example of* how to conduct a bail-out, carried out at a critical juncture for the world economy. But the cost of this success may be that the lessons learned from the collapse will be quickly forgotten.

Japanese bonds

Until recently, Japan's long-term interest rates were kept at rock-bottom levels by expectations of deflation. But the government's ballooning issuance of bonds to finance its expansionary fiscal policy had to feed through into the market some time.

A serious mismatch of supply and demand has arisen in Japan's bond market which, without intervention, can only be resolved by falling prices. Gross new bond issuance in 1998 reached Y59,000bn ($526bn), almost 70 per cent up from 1997. With this year's budget deficit set to rise further, bond issuance in 1999 will be at least as high. Local government bond sales are also likely to expand. General government debt is predicted to reach 118 per cent of gross domestic product by 2000.

Meanwhile, the demand for bonds is falling. The Trust Fund Bureau, a subsidiary of the Ministry of Finance which holds 34 per cent of all outstanding Japanese government bonds, recently announced that it was halting new bond purchases.

The result of these imbalances so far has been a rise in the 10-year bond yield to over 2 per cent, from a trough of 0.74 per cent last October.

The return of significantly positive bond yields is not all bad news; the banking sector, for example, could benefit.

But by absorbing private-sector liquidity, and raising the cost of finance, the falling bond market will offset the expansionary effect of the government's fiscal packages. Combined with a very strong yen, the contractionary impact could be severe.

Yet Japan's policymakers are not responding. Kiichi Miyazawa, finance minister, said this week: "I will monitor them [bond yields] carefully if the move becomes abnormal, but for now we should let the market decide."

Radical action is needed. The Bank of Japan should start buying bonds directly from the government – in other words, finance the budget deficit by printing money. This would boost the bond market, expand the money supply and weaken the yen.

Such a large-scale and untried policy would, of course, carry risks. For it to work, both the government and the Bank of Japan would have to be firmly united behind it. This is no easy task, particularly given the BoJ's instinctive reluctance to carry out an overtly inflationary policy; but anything less than full support could result in chaos.

The policy of bond-financed expansionary fiscal policy in Japan has run out of steam, and there now is a risk that the bond market could disastrously collapse. *Money-printing is the only option Japan has left to escape a* desperate economic situation.

Selling China

China's plan to strengthen corporate governance in companies that are listed overseas is a welcome recognition of the existing flaws. China's international issues have suffered from a lack of liquidity and poor standards of disclosure.

To date, the amount raised by such issues – roughly $13bn – pales into insignificance compared with inflows from direct investment. But China will need capital from all sources to finance its development. Standards of corporate governance must be higher if it is to attract large amounts of international equity capital.

Moreover, the improved standards demanded by foreign investors should eventually spill over into China's still separate domestic equity market. That will help develop another vital source of capital.

With the economy slowing and the Asian crisis reverberating, this is not an easy time for flotations. But China still needs to offer investors well-capitalised companies with sound management and a free share issue large enough for a liquid market.

It is especially important that, *once* floated, these companies should be run at arm's length from their sponsoring ministries with fully independent management and boards.

China's message this week is that it has grasped this nettle. Yet the culture change required is considerable. The temptation by sponsoring ministries to interfere will remain great, especially since they usually still own a controlling stake after the flotation. Securities regulators may have an uphill struggle in enforcing rules on corporate governance.

Two factors are in their favour. One is that the Chinese authorities' tough line on closing down bust financial companies shows there is a continuing high-level interest in regulatory reform. The other is the clear recognition, symbolised in this week's announcement of constitutional change, that the private sector has an important role to play in economic development.

China is engaged in a long and sometimes painful transition from state planning to capitalism. The temptation to cling to the vestiges of the old system is considerable. Yet – and this applies to other countries in transition – there is no comfortable half-way house.

With the concept of a private sector better established, China would be free to move faster towards full privatisation and the complete separation from government of industries floated on world exchanges. Privatisation should not be just a question of raising some money from gullible investors and then carrying on as before. It is a way of life.

Too much, too soon?

Robert Chote explains the background to the Bank of England's half-point cut in interest rates and argues that its economic impact will depend largely on what happens in the labour market

The Bank of England has done it again, confounding cautious City forecasts with an unexpectedly aggressive half-point cut in interest rates. So much for the sedate Old Lady of legend: this looks more like an assertive young woman in a hurry.

Britain's short-term interest rates have fallen by two percentage points since October, bringing them down to 5.5 per cent. Except briefly in the wake of sterling's ignominious departure from the European exchange rate mechanism six years ago, base rates have not been lower since the mid-1970s. Does the precipitate fall show that the Bank is alarmed about a "hard landing" for the UK economy, with falling output and rising unemployment? Or has the Bank done enough to prevent that?

The speed with which the Bank's monetary policy committee has reduced rates since last autumn is in marked contrast to the sluggishness with which it raised them over the previous 18 months. "Activist" monetary policy is the fashion nowadays, with Bank insiders reporting a new self-confidence in the way the committee members go about their business.

With the possible exception of Ian Plenderleith, the market operations director who voted to leave rates on hold in January, even the habitually cautious career central bankers now seem to accept that a stitch in time saves nine. Eddie George, the governor of the Bank, conceded in a recent interview that the Bank *might be cutting rates* too fast. But so what? If consumer confidence bounces back or the world economy perks up, rates will simply rise again. Overenthusiasm can be reversed.

Nonetheless, the size of yesterday's move came as a surprise to most City economists. They had expected January's quarter-point reduction to be followed by another of similar size. But the return to the half-point reductions seen in November and December does not mean that the outlook for the economy has suddenly deteriorated. It owes less to events in the last month than to the quarterly rhythm of the Bank's forecasting cycle.

The Bank will publish its latest inflation forecast next Wednesday. Following yesterday's move, it will show that the underlying measure of retail price increases – which excludes mortgage interest payments – is roughly on course to hit the government's 2.5 per cent target in two years without further base rate changes.

But this does not necessarily mean that rates have now reached their floor. Many City economists were wrongfooted by the Bank's last quarterly report in November, which also showed that inflation was on course to hit the target if interest rates remained unchanged. Many analysts concluded that the Bank was signalling that rates were on hold. In the event they fell in each of the next three months.

The explanation was that, following the November report, fourth quarter economic growth came in fractionally lower than the Bank had expected (albeit slightly stronger than many City economists had thought). Meanwhile inflation came out in line with the Bank's forecast, but it would have been even lower but for increases in food and utility prices. *Hence the Bank felt the risks of cutting rates* then were small. As these events unfolded, so the average of City and other independent forecasts for economic growth in 1999 almost halved from 1.1 to 0.6 per cent. Meanwhile predictions for inflation at the end of this year dropped from 2.5 to 2.2 per cent. Michael Saunders, UK economist at Salomon Smith Barney Citibank, calculates that these forecast revisions alone were enough to justify the rate cuts in December and January.

But what about yesterday's reduction? The Bank's explanation went as follows: "Taking account... of the prospects for international activity and prices, domestic costs and consumer demand, the committee's latest inflation projections implied that a further reduction in interest rates was necessary to keep inflation on a path consistent with the target of 2.5 per cent".

The reference to domestic costs probably refers to the outlook for inflationary pressures from the labour market. Evidence on this has been obscured by the suspension of the much revised official average earnings data. But several factors suggest that the threat of a continued rise in earnings growth is less serious than it looked in November. There are fewer plans for new jobs; recruitment difficulties have eased; and households' expectations of inflation have fallen. These factors suggest that employees are less likely to press for higher pay deals and that employers in turn are less likely to grant them.

The outlook for consumer demand also looks weaker. Retail sales volumes dropped in December and the Confederation of British Industry reported earlier this week that sales last month were down on a year ago. In its latest distributive trades survey 38 per cent of retailers reported that *sales were down on January 1998, while only 29 per cent reported* that they were up. But judging the strength of consumer demand around Christmas and New Year is notoriously difficult.

So much for the detail: what about the big picture? After crunching the numbers, the Bank appears to have concluded that the outlook for economic growth is much as it thought, but that the associated inflationary pressure is less. Indeed, inflationary pressures are so subdued that the Bank can afford to cut rates even further to boost economic activity later. As Gordon Brown, the

The real spending power of someone with a £25,000 salary and a £50,000 mortgage will rise 10 per cent this year

chancellor, has instructed it to do, the committee is treating the 2.5 per cent inflation target as symmetrical: it is guarding against an undershoot as keenly as an overshoot.

The broader question is whether recent interest rate cuts imply that the economy will get a "soft landing", one in which output growth slows rather than goes into reverse and in which any increase in unemployment is only modest. Not necessarily.

Interest rate reductions have a powerful impact on people's spending power, especially if they have mortgages. Kevin Gardiner, at Morgan Stanley Dean Witter, calculates that after taxes and housing costs, the real spending power of someone with a £25,000 salary and a £50,000 *mortgage will rise 10 per cent this year to a level 50 per cent* higher than at the peak of the last boom in the late 1980s.

Powerful stuff, but past experience suggests that rate cuts take a year to affect output and spending and another to affect inflation. This implies that the rate cuts since last October will not boost the economy until the latter half of this year. Meanwhile output over the next six months is in the lap of the gods. With many firms still trying to shift stocks of unsold goods, the economy may yet suffer a technical recession (ie, with output dropping two quarters running).

The short-term outlook is particularly uncertain because the Bank is confronted with three pieces of apparently inconsistent evidence about the economy's underlying strength.

The gloomiest picture is painted by business confidence surveys, which, although showing some signs of an upturn, are doing so from depths uncharted since the recessions of the early 1980s and 1990s. At the other extreme, unemployment is at an 18-year low and employment has increased by almost 100,000 in the three months to November. Both suggest that growth remains above its long-run trend rate.

Figures for gross domestic product fall somewhere in between. They suggest the economy grew in line with its trend rate for much of last year, before recording an output increase of just 0.2 per cent in the fourth quarter. This was the slowest rate since 1992, but even if the economy does not expand at all over the coming four quarters it would still deliver a 0.5 per cent growth rate for 1999 as a whole.

For the Bank – though not for businesses – the outturn over the next six months must be of largely academic interest: it is too late for policy changes to make a difference. *The question now is whether and how far it* can continue to cut rates, fuelling economic activity into the early months of the next millennium?

At its recent meetings, the monetary policy committee has approached this question in part by pondering the "neutral" level of interest rates at which monetary policy neither boosts nor restrains the growth in spending. Some members reject the very concept, but for the others it probably lies in the range 4.5 to 6.5 per cent. Yesterday's move brings rates to the middle of that range.

For open economies such as the UK, the International Monetary Fund assesses the stance of monetary policy by adding the effect of exchange rate movements to that of the interest rate. Using the IMF's assumption that a 3 per cent move in the real exchange rate is equivalent to a 1 percentage point change in base rates, Mr Saunders calculates rates could drop another point before monetary conditions are back at their average for the past 20 years.

The Bank will say next week that it has done enough for now. Several factors will determine where and when rates move next. Growth and inflation are important of course, but the exchange rate and the labour market may turn out more so.

The pound is no weaker now than when the Bank began cutting rates in October: if it starts to fall, base rates have less scope to follow. And as for the labour market, it seems unlikely that rising employment and easing pay pressures can co-exist for long. If unemployment finally starts to rise decisively, as most analysts believe, rates may still have some way to drop. But if job growth continues, the Bank could find itself in the unusual position of having done too much too soon.

OBSERVER

Ebner hops on board

What's the world coming to? Martin Ebner, Switzerland's best-known corporate investor, has decided to join the establishment. Just before Christmas he was promised a seat on the Alusuisse board, *after its merger with Germany's* Viag; now electrical engineering giant ABB is inviting him in as well.

Five years ago, Switzerland's movers and shakers would cross the street to avoid him but now Swiss blue chips are queuing up to recruit him. Fans of the *bow-tied investor reckon that* corporate Switzerland has finally recognised it's got another Warren Buffett on its hands – even though he doesn't quite measure up to the investment sage of Omaha. BK Vision and Pharma Vision, his two flagship funds, both underperformed the Swiss market last year.

So why the hurry to bring him on board? It's probably no coincidence that Ebner has built up big stakes in Alusuisse and ABB. It might all look very friendly, but both know he can make life tough for companies that don't listen to him.

His ABB investment has almost certainly precipitated the overdue unification of its share structure. Maybe no bad thing, but is this really reason enough for making him a director? UBS, Credit Suisse and Roche, who've all had the benefit of Ebner's advice, have yet to invite him onto their boards. When they do, then Ebner will have really joined the Swiss establishment.

Wolfgang waits

Hard-driving Wolfgang Reitzle's day might not yet have come, *despite the gossip that's more* likely to have emerged from competitors than from inside BMW. But even if he's not about to replace Bernd Pischetsrieder as chairman, few would bet that the high-handed engineer won't one day get the job.

BMW's undisputed number *two, a college chum of* Pischetsrieder, may be a serious player but there's also a touch of flamboyance about him that makes him better known to most Germans than his boss. Not least because his relationship with a television journalist often hits the German tabloids.

The 49-year-old golfer, who likes to apply lessons from the game to life, joined BMW at the age of 27. The only time he considered leaving was to join Porsche in 1992 for a huge salary and a share stake in the sports car business. His flirtation didn't impress BMW colleagues and the affair arguably cost him the job that went to Pischetsrieder. Some BMW people reckon Reitzle still harbours bad feelings to this day about being passed over.

Given the chance, he'd prove much tougher with Rover, but he can't absolve himself from all its problems. He was instrumental in its purchase and became its chairman, though he did favour a more radical integration of Rover into the business. He also drove the entire Rover fleet before he was convinced. If only the Mondeo had let him down, it *could all have been so different.*

After Oskar

In November, it was Oskar Lafontaine, Germany finance's minister. Now, its Jürgen Trittin, the Green environment minister, who's subject to speculation he *might be thinking of a career in* Brussels. Although the prospect of Mr Trittin becoming a commissioner is being denied there does seem to be a pattern emerging. Whenever times get difficult for a German cabinet minister – Mr Trittin is in hot water over his plans for shutting atomic power stations – the rumours surface. Is a Brussels job the ultimate sanction?

Euro-testing

The Italians just can't wait to get their hands on the levers of power in the European Union. Up to 30,000 hopefuls will tomorrow try to get themselves included in the next graduate intake for the European Commission – and an extraordinary 30 per cent of them are Italians.

Maybe it's because of their country's tradition of public service. Or perhaps they want to improve Italy's somewhat patchy record of contribution to EU debate. Italy was a founder member of the EU in 1958 but it's rarely exerted the influence of other large member countries. Italy has even provided a commission president, in the *shape of Franco Maria Malfatti,* but his term lasted just two years in the early 1970's. That may change next year; former Italian prime minister Romano Prodi is among front-runners to succeed Jacques Santer.

But whatever the motives of the 8,800 Italians invited to sit *tomorrow's concours – a re-run* of the test aborted last autumn when questions were leaked in advance – plenty are going to be disappointed. The Commission will choose just 1,900 for the next selection round, with only 475 finally winning through.

On the button

Daniel Bouton's ability to supply soundbites in English put most of his Anglophone counterparts to shame, but even the Société Générale chairman occasionally stumbles. Promoting the growth prospects arising from his bank's friendly takeover of French rival Paribas, Bouton described the merger as "one of the most expensive". He quickly retrieved the rogue vowel – "expansive". Bien sûr.

The Financial Times

50 years ago

Peso Rumours Rejected
Buenos Aires, Feb. 4.
Considerable importance is attached locally to the announcement by the new Secretary of Finance, Senor Morales, who is also President of the Argentine Central Bank, that present official exchange rates will not be modified.

The statement adds: "Consequently reports circulating locally and abroad that an alteration of exchange rates is imminent are without foundation."

The statement implies a seeming determination to defend the peso's integrity internationally despite the fact that the country's economic condition points to the necessity of a measure of controlled devaluation.

Labrador Iron Ore
Ottawa, Feb. 4.
Iron ore deposits in Ungava and Labrador will make a major contribution to the Canadian economy in sustained earnings of U.S. dollars – "in fact initial operations will earn approximately as much in American dollars as all Canadian gold mines combined," Mr. W. H. Durrell, general mining director of the Labrador Mining and Exploration Company said to-day.

FINANCIAL TIMES
FRIDAY FEBRUARY 5 1999

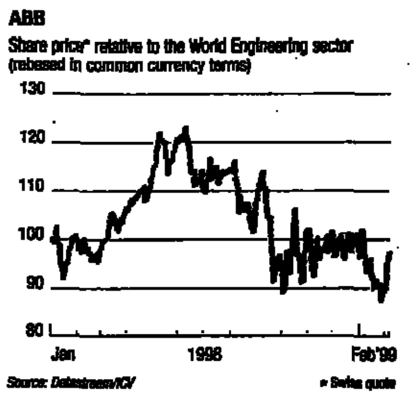
THE LEX COLUMN

Maverick on board

ABB has certainly taken its time – eight years to be precise – to adopt a sensible share capital structure. Four different classes of equity, three boards, and a twin-headed structure left over from the Swiss/Swedish merger was not an easy proposition to sell to international investors. Introducing the basic principle of one share, one vote was long overdue. It is the best guarantee shareholders have that their interests will be equally respected.

ABB is also plumping for one board – unlike its stock market listings, which it is collecting as though they were going out of fashion. And ABB's chief executive will now be a member of the main board; far more rational than having an executive committee ultimately accountable to several boards. Intriguingly, Martin Ebner, that scourge of Swiss managers, is joining the great and good on ABB's board. With luck, his new establishment credentials will not dent his zest for asking awkward questions. ABB has a good record with investors. It has moved aggressively on costs, sold out of non-core assets such as Adtranz and repositioned the group towards growth areas.

But ABB still needs to refine its strategy for the slow-growth power generation market. It may be that further consolidation here would help tackle overcapacity. Alternatively, an exit would release more capital to reinvest in better businesses. Mr Ebner should not hang up his gloves yet.



SmithKline Beecham

If SmithKline Beecham is not planning to sell Diversified Pharmaceutical Services, its drugs distribution business, it ought to be. The $2.3bn acquisition of DPS in 1994 was one of Jan Leschly's earliest acts as chief executive. DPS makes no money and the reasons for buying it – to help push SB drugs to purchasers and to collect patient data – have proved illusory.

Late last year Eli Lilly sold a similar folly, PCS Health Systems, for $1.5bn. If SB could get two-thirds of that, the cash would help promote Avandia, its forthcoming diabetes drug, and feed into the research and development budget. PCS was bought by drugs retailer Rite Aid, extending its reach into wholesaling. SB must hope that Rite Aid's rivals, including Walgreen and CVS, have the same strategy.

Would Mr Leschly's reputation suffer from a U-turn? While Lilly stomached a $2.4bn write down on PCS in 1997, Mr Leschly, an incurable optimist, has continued to maintain that DPS has its uses. Nevertheless, it would be to his credit if he ditched it. After all, it is an old mistake and even Glaxo Wellcome bid – unsuccessfully as luck would have it – for one of these outfits.

So, to the £120bn question. Would this "cleaning-up" of SB's drugs business shorten the odds on a merger, namely with Glaxo? In a minute way, yes. But the crucial issue is whether the two can live up to sky-high expectations independently.

Delphi

Big is beautiful, or so consolidating car parts suppliers would have us believe. Delphi Automotive Systems, which is being partially spun off from General Motors today, shows it can be anything but. Easily the largest automotive components group in the world, with revenues of $30bn, it is also one of the least efficient. Underlying operating margins were barely 4 per cent last year, the workforce is highly unionised, and four-fifths of sales still go to GM, the most sluggish of the US carmakers.

Delphi's potential depends on how rapidly it can cast off this insalubrious heritage. Despite 60 plant closures in six years, there are more costs to cut and the management is promising to raise margins by half a percentage point annually. However, revenues will not grow for at least two years, as contract wins from other car producers are offset by a gradual decline in GM business. The biggest medium-term opportunity may lie in replacement parts, where Delphi sells only $2bn a year into a market worth $168bn. But it will have to learn marketing and branding skills.

The pricing takes account of these prospects, as well as GM's continuing 82 per cent stake. At $16.50 a share, the initial public offer values Delphi at just over $9bn or barely nine times forecast 1999 earnings. That is a 25 per cent discount to a peer group including Dana, Magna and Lear and a lower rating than GM itself. Even so, the shares hold little appeal.

UK monetary policy

Yesterday's half-point cut in UK base interest rates to 5½ per cent may not have been needed to prevent recession. Most of the recent evidence suggests a soft rather than a hard landing. But the cut was fully justified. After all, the Bank of England's job is to hit an inflation target. And, given deflationary tendencies around the world, it risked undershooting. Put another way, the rate cut looks pretty safe from an inflation perspective.

What happens next? The answer partly depends on whether monetary policy is now tight or loose. On the Bank's view that a neutral level of rates is 4½-6½ per cent, policy is now middling. But the top of that range never looked terribly convincing. After all, 10-year bond yields are only 4.3 per cent, meaning that is roughly what the market expects rates to average over the next decade. Admittedly, bond yields cannot be taken as a definitive measure of neutrality today – not least because of expectations that the UK will eventually join the euro-zone with its lower rates. Even so, a plausible range for neutrality is probably 4¼-5¼ per cent.

The question then becomes whether policy ought at this stage of the cycle to be neutral, tight or loose. With growth this year expected to be insipid and inflation under control, the answer seems pretty clear. The Bank may well decide to pause before cutting again. But the trend in interest rates is still down.

Commission suffers bad case of pre-exam nerves

A re-run test for civil service candidates is proving a trial for Brussels

By Michael Smith in Brussels

Rarely has an examination put so much pressure on the examiner.

Up to 30,000 potential eurocrats will feel the strain tomorrow when they sit down for a competition which will help propel a chosen few into the civil service elite of the European Commission.

But the Commission will also be sweating. Tomorrow's *concours* for graduates was organised at a cost of €1m after an embarrassed Commission had to cancel the results of a September test because question papers were leaked. Some candidates were spotted using mobile phones in toilets; others complained of chaotic supervision.

The Commission is already under threat of dismissal by the European Parliament over lax management in other areas. A second exam failure would make it a laughing stock and it is taking no chances.

Security for tomorrow's multiple-choice competition, the first step in selecting the best 475 candidates, is such that the Commission has entrusted the printing of question papers to a company that specialises in printing bank-notes and bonds. Access to the papers has been severely restricted and only 40 translators will be used, compared with 80 in September. The Commission has also strengthened competition rules.

Candidates will be allowed to take only the clothes they wear – and, in the case of women, handbags – into the 44 examination halls where they will be tested on their knowledge of European affairs, a foreign language, verbal and numerical skills.

As in September, they will be banned from taking in pieces of paper, magazines, their own pens and – most of important *of all – mobile* phones and, this time, the rules will be strictly enforced. For the first time calculators will be banned.

"It is not easy for invigilators to tell the difference between calculators and sophisticated computers with access to the internet," said Ann D'Haen-Bertier, competitions unit head. "We have developed tests which do not require a calculator."

Training of invigilators has been stepped up and there will be 940 this time – 50 per cent more than in September. In another innovation, Commission directors will be present in every large exam hall and they have been given powers to throw out rule-breakers on the spot.

September's debacle has also contributed to a debate about the scale of the competition. "I cannot see an operation of this kind being repeated," said Ms D'Haen-Bertier. Alternatives include organising smaller, more frequent competitions and pre-selection of candidates by computer.

The Commission has time to deliberate. The 475 candidates it selects *will satisfy its graduate recruitment* needs for four years, although competitions will continue for specialists such as accountants, linguists and veterinary experts.

The Commission's immediate task is to pass tomorrow's test without a hitch. And if it fails? Ms D'Haen-Bertier cut short the question: "It will not go wrong."

Observer, Page 17

OECD criticises French plan to introduce 35-hour working week

By Robert Graham in Paris

The Organisation for Economic Co-operation and Development (OECD) has antagonised France's Socialist-led government by sharply criticising its flagship policy – the introduction of a 35-hour week.

In its report on France, published yesterday, the OECD warns that the Jospin government's interventionist approach to reducing the working week entails "considerable risks" and uncertain prospects for job creation.

The report is the OECD's first assessment of France's economic policies since Lionel Jospin came to power in June 1997.

Government officials declined to comment on the report whose direct language broke with the normal politeness reserved by the OECD for members of the Group of Seven industrialised nations, and particularly for France, where the organisation has its headquarters.

It is understood the negative remarks on the 35-hour week were the subject of a tough debate inside the OECD, where advocates of an interventionist approach to the labour market lost out to more liberal economic views. The majority argued that the French needed to follow more closely the organisation's own market oriented employment policy ideas, set out in its "Jobs Strategy" study.

The report warns that the move to a shorter working week risks a significant increase in unit labour costs. OECD simulations of the job creation potential of the policy question the government's optimistic projections. The report insists employment will only benefit if the policy is accompanied by wage restraint.

"To establish a virtuous circle of working time reduction and job creation without any marked deterioration in competitiveness and public finances, substantial scope for productivity gains must exist and be tapped, and the social partners must agree on a marked moderation of wage developments."

Other aspects of employment policy are also questioned. The report says the ambitious youth employment scheme, intended to cover an eighth of those aged 18-25 by the year 2000, will swell an "already over-sized public sector". And it notes how few of the OECD's previous recommendations on labour flexibility and reducing employment costs have been adopted.

On broader economic issues the report notes "a sharp improvement in France's macro-economic performance since the last survey".

The OECD estimates growth will reach 2.4 per cent this year, against the government's projection of 2.7 per cent, but warns that supporting growth with public spending leaves little room for "automatic stabilisers or discretionary measures to offset it" in the event of a slowdown.

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French firefighters stage a march in Lyons to protest over the growing number of attacks on public service workers in rundown suburbs

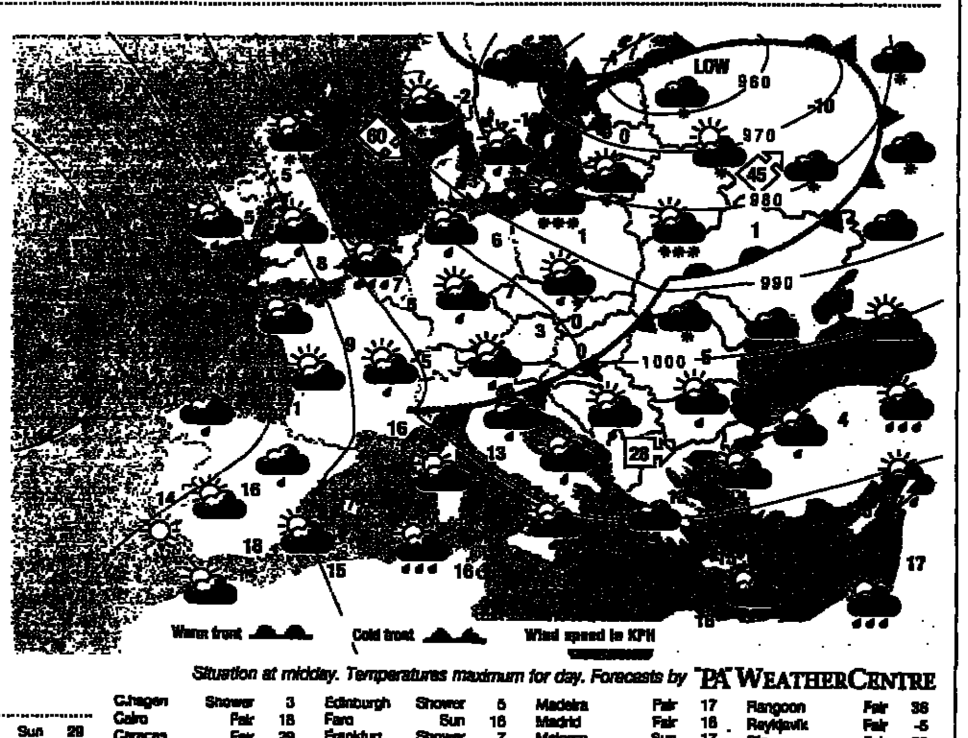
FT WEATHER GUIDE

Europe today

North-west Europe will become colder and windier with a mixture of sun and showers. The showers will be frequent in the Low Countries where winds will reach gale force. Much of Scandinavia and eastern Europe will have snow showers and sunny spells. The western Mediterranean will be dry with some strong sunshine, but there will be a mix of sun and showers elsewhere in the Mediterranean, the showers heavy and thundery towards Cyprus.

Five-day forecast

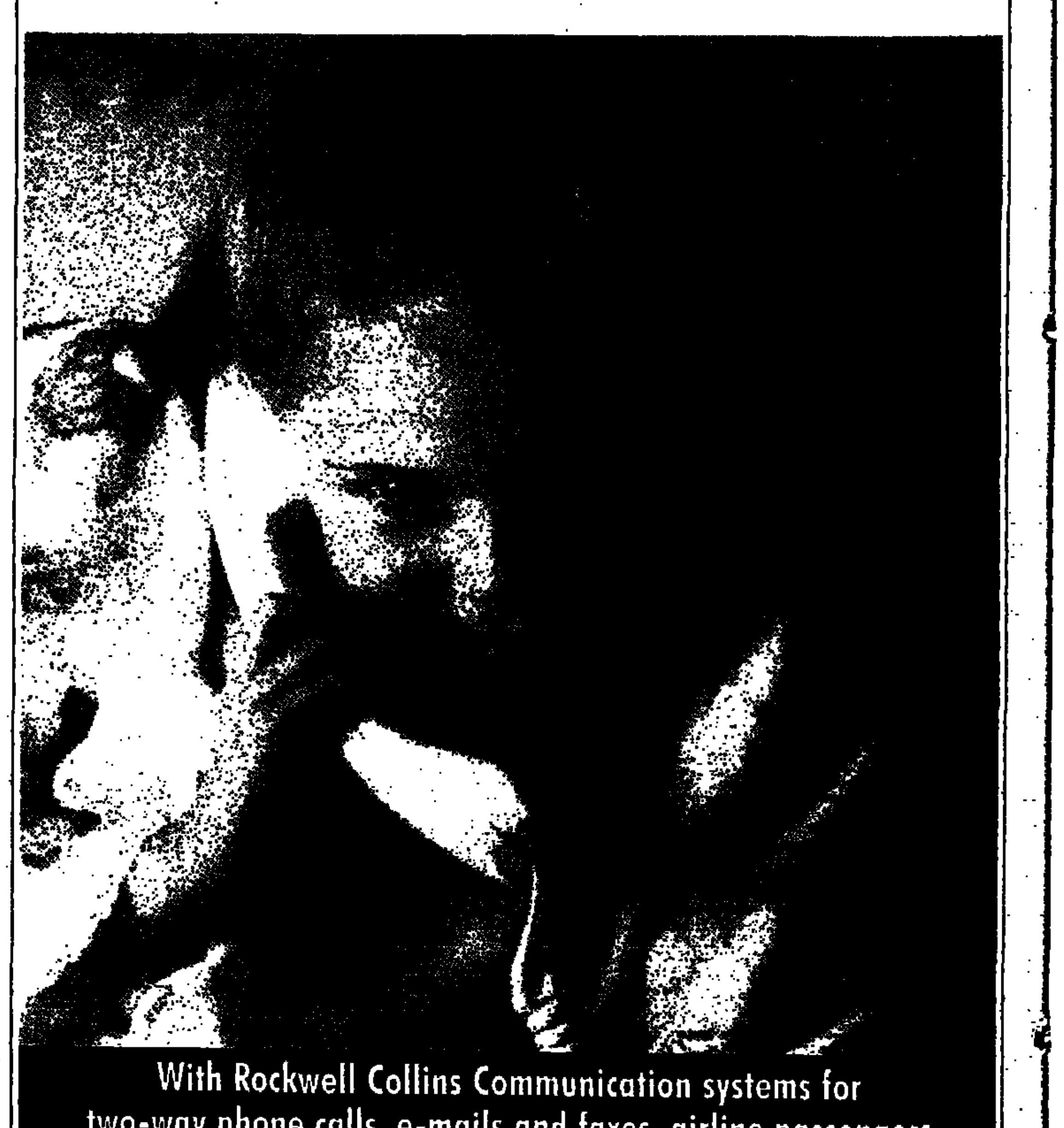
Much of north-west and central Europe will remain cold throughout the coming week with sharp overnight frosts and an increasing risk of snow. There will be further snow in Scandinavia and eastern Europe. The western Mediterranean will remain showery with localised thundery downpours.



Situation at midday. Temperatures maximum for day. Forecasts by PA WEATHERCENTRE

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Fair	27
Accra	Fair	32
Algiers	Fair	15
Amsterdam	Shower	8
Athens	Shower	13
Atlanta	Sun	15
B. Aires	Fair	27
B.ham	Shower	7
Bangkok	Sun	29
Barcelona	Fair	16
Beijing	Sun	1
Belfast	Shower	5
Belgrade	Shower	7
Berlin	Shower	6
Bermuda	Shower	20
Bogota	Fair	19
Bombay	Fair	29
Brussels	Shower	7
Budapest	Shower	0
C.hagen	Shower	3
Cairo	Fair	18
Caracas	Fair	29
Cardiff	Fair	8
Casablanca	Sun	17
Chicago	Fair	4
Cologne	Shower	6
Dakar	Fair	23
Dallas	Fair	20
Delhi	Fair	22
Dubai	Fair	27
Dublin	Shower	5
Dubrovnik	Fair	12
Edinburgh	Shower	5
Faro	Sun	16
Frankfurt	Shower	7
Geneva	Shower	6
Gibraltar	Sun	16
Glasgow	Shower	4
Hamburg	Shower	5
Helsinki	Snow	-6
Hong Kong	Sun	19
Honolulu	Fair	26
Istanbul	Fair	7
Jakarta	Fair	31
Jersey	Fair	11
Johannesburg	Cl	24
Karachi	Sun	24
Kuwait	Shower	23
L. Angeles	Fair	17
Las Palmas	Sun	20
Lima	Fair	28
Lisbon	Sun	14
London	Fair	8
Lux.bourg	Hail	5
Lyon	Cloudy	7
Madeira	Fair	17
Madrid	Fair	16
Majorca	Sun	17
Malta	Fair	16
Manchester	Fair	7
Manila	Fair	30
Melbourne	Fair	35
Mexico City	Fair	24
Miami	Sun	26
Milan	Fair	12
Montreal	Fair	-2
Moscow	Snow	-6
Munich	Shower	8
Nairobi	Fair	26
Naples	Fair	13
Nassau	Sun	26
New York	Sun	6
Nice	Sun	16
Nicosia	Shower	15
Oslo	Cloudy	2
Paris	Fair	9
Perth	Sun	28
Prague	Shower	7
Rangoon	Fair	36
Reykjavik	Fair	-5
Rio	Fair	30
Rome	Fair	13
S. Frsco	Fair	13
Seoul	Sun	0
Singapore	Fair	30
Stockholm	Snow	-1
Strasbourg	Shower	8
Sydney	Shower	25
Tangier	Sun	16
Tel Aviv	Rain	14
Tokyo	Fair	10
Toronto	Fair	-1
Vancouver	Shower	7
Venice	Fair	9
Vienna	Shower	3
Warsaw	Rain	1
Washington	Sun	8
Wellington	Sun	21
Winnipeg	Snow	-2
Zurich	Shower	7



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FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Battle on for $5bn aspirin market
Battle is about to commence over the potential $5bn market for a new class of drug that appears to have ended the 60-year search for a safe aspirin. Monsanto, the US life science company, has launched Celebrex, which combats arthritic pain and inflammation without causing the stomach ulcers often associated with aspirin and ibuprofen. But Merck, the world's biggest drugs company, will launch a similar product, Vioxx, within months. Page 20

BMW fights to stay independent
Amid the frenzy of media speculation that Bernd Pischetsrieder's days as BMW chairman may be numbered, a broader question was looming: can the Bavarian carmaker cling to its independence in the face of the wave of consolidation sweeping the industry? Page 18

Seoul braced for volatile year

After being the world's best performing bourse in dollar terms last year, Seoul's stock market has tumbled 15.7 per cent from its mid-January high. The recent surge was driven by the government easing monetary and fiscal controls to reflate the economy. The liquidity-driven market has provoked worries that the rise in shares amounts to a bubble inflated by aggressive cuts in interest rates. A more benign view is that the market also reflects a strengthening of Korea's economic fundamentals. Page 38

Norway oil sector overruns budgets
Norway's offshore oil and gas investments almost consistently overran their budgets from 1994 to 1998, in spite of the industry's goal to halve its costs in that period, a government-commissioned report says. Page 28

Rate rises cause Tokyo concern
Shares in Tokyo stretched their losing streak to four sessions, sending the Nikkei 225 average below 14,000 for the first time in more than two weeks as investors watched the recent rise in interest rates with concern. Page 38

Colombia to bail out plantations
Colombia and the country's coffee authorities have announced a financial package for growers whose plantations suffered infrastructure damages after the country's worst earthquake in 100 years. Page 28

CME to offer weather derivatives
The Chicago Mercantile Exchange plans to offer derivatives based on the weather to complement the growing over-the-counter market. The futures and options, which are related to average temperature levels, enable companies to hedge against unexpected movements in temperature. Page 26

COMPANIES IN THIS ISSUE

MARKET STATISTICS

Bond issues follow Real stability

Mexico and Argentina will test appetite for risk

By Edward Luce and Khozem Merchant

Mexico and Argentina yesterday took advantage of the stabilisation of the Brazilian Real to issue sovereign bonds on the international markets.

The offerings – the first from any Latin American government since Brazil floated the Real last month and Mexico's first since before the Russian debt crisis last August – will be closely watched for signs of renewed investor appetite for risk.

"Investors seem to be differentiating between good and bad emerging market credits," said Nicholas Cournoyer, managing director of Montpellier Asset Management, an emerging market investor. He added: "This is good news for countries like South Korea, Croatia and Argentina but bad news for countries like Brazil and Indonesia."

In addition, Turkey is planning to launch its first euro-denominated bond in the next two weeks in an offering of up to €1bn. ($1.13bn)

Bankers said that yesterday's $1bn offering from Mexico was well received by the large US investors, most of whom see the Mexican economy as having "decoupled" from Brazil. "The market is happy about strong US growth figures and this is seen as good for the Mexican economy because it is so close to the US," said one banker.

The bond, likely to come at a spread of 490 basis points over the US Treasury benchmark bond, includes warrants which give the investor the right to convert Brady bond holdings into Mexican eurobonds. Brady bonds are defaulted commercial loans floated as bonds and backed up by the collateral of US Treasuries. "The warrants are an extra incentive for the investor to buy into this debt," said one trader.

US emerging market funds are thought to be keen to re-invest in safer emerging market bond issues, having kept a high proportion of their holdings in cash in the last few months. US and European investors are constrained by the historically low yields on western government bonds and other securities. "It is a trade-off for investors between their fear of risk and search for yield and at the moment the latter is getting the upper hand," said one analyst.

Argentina's €350m bond was targeted at European retail investors and will be comparable with previous D-Mark, lira and Dutch guilder-denominated bonds of the same maturity. The bond, which came at a coupon of over 10 per cent, steps down to a lower coupon next year. Once all four tranches have been converted into the same bond it will be worth €1.5bn – the largest volume emerging market bond in the single currency.

Turkey's bond comes partly as an escape from high interest rates in its domestic market. Earlier this week it issued $1.85bn worth of domestic Treasury bonds at a yield of 130 per cent. Its five-year eurobond is expected to offer a yield of around 10 per cent.

"Today's announcements (of prospective bonds issues) are just a straw in the wind. If they do well it would indicate a return of better emerging market sentiment. But the deeper problems are still unresolved," said one banker

World Bond Markets, Page 26

NY state to probe internet brokers

By John Labate in New York

Eliot Spitzer, newly-elected New York state attorney-general, has launched an investigation into online trading groups following a significant rise in consumer complaints.

He made his announcement as E*Trade, the popular internet-based stock trader, confirmed that a software problem had caused a second consecutive day of problems, leaving many customers unable to trade on its online and automated telephone systems.

On Wednesday, the company said a similar "outage" had occurred for 1¼ hours during the morning due to a software upgrade.

Regulators have been slow to respond to rising complaints against online trading firms. Arthur Levitt, chairman of the Securities and Exchange Commission, expressed concern recently about online trading in internet stocks, but no action has been taken.

Mr Spitzer, whose responsibilities include consumer protection, is asking companies to volunteer information on projected growth estimates and details about handling transactions before deciding what action – if any – to take.

"The public knows that there are always risks involved in investing in the stock market," he said. "But part of the risk should not include questions about whether trades will be executed promptly, or whether online brokerage firms can deliver on the services that they've promised."

E*Trade's troubles come within weeks of similar system-wide outages at two of its larger competitors, Charles Schwab and Waterhouse Securities. Schwab and Waterhouse were forced to take their trading systems down for approximately one-hour periods due to heavy trading in internet stocks. Both companies have raised customer margin requirements for some stocks to cool the market.

According to CS First Boston, average daily trading volumes for online brokers rose 34 per cent in the fourth quarter of 1998 from the previous quarter. Online trading now accounts for one of every seven equity trades.

The sector has come under fire for its inability to supply sufficient technology to meet consumer demand.

Assets shock for Ionian Bank suitors

By Clay Harris in London

Potential bidders for Greece's Ionian Bank were shocked yesterday to learn that 20 per cent of its assets and two-thirds of its corporate deposits were accounted for by a single back-to-back transaction through its London branch.

Another large Greek bank, which has not been identified, deposited Dr550bn ($1.94bn) of its mutual fund customers' money under its own name in Ionian's London branch.

The money was then lent back to the original depositor, with the effect of artificially inflating both Ionian's loans and deposits.

The new information, supplied to bidders only four days before they were due to submit offers for a 51 per cent stake in the state-controlled bank, was described by one investment banker as "nothing less than a bombshell".

He said it raised questions about the corporate franchise of Ionian, which appeared to have weathered well a six-week strike last summer. It now appeared, however, that Ionian had lost much more of its deposit base than previously thought.

The effect was to reduce Ionian's apparent share of the Greek market from 8 per cent to about 6.6 per cent, he said.

J.P. Morgan, adviser to state-owned Commercial Bank of Greece, which is selling most of its 58 per cent stake in Ionian, confirmed yesterday there had been a "change in a customer relationship" at Ionian.

It said: "Bidders will have to take their own view about the significance of this."

The US investment bank suggested, however, that potential buyers were likely to focus on Ionian's presence in the Greek market rather than on one interbank relationship, which had accounted for profits of only about £1m ($1.64m).

The fact of one large relationship, although not its size, had been known to potential bidders for months.

J.P. Morgan made the latest disclosure in a confidential information memorandum sent to potential bidders.

It has not, however, been released to the Athens stock market, where Ionian shares have soared on expectations of a successful sale after bidding closes on Monday.

A previous effort to sell the 51 per cent stake through a tender offer was cancelled last summer when the only bidder, Eurobank, submitted a tender not much over half the market price at the time.

After that failure, J.P. Morgan was brought in as an adviser.

After losing more than half their value following the failure of the tender and the Russian crisis, Ionian's shares have recovered to close to their Dr19,810 peak reached in July last year. Yesterday they finished Dr460 higher at Dr18,000.

Potential Greek bidders for the Ionian stake include Eurobank, in association with Ergobank in which it has a 20 per cent stake, Alpha Credit Bank and Piraeus Bank.

J.P. Morgan said it was also expecting interest from foreign banks.

Mexican bank results, Page 20

Pepsi scores over Coke in $55m Chinese soccer sponsorship deal

Soft drinks giant targets 400m avid supporters

By James Kynge in Beijing

Pepsi has beaten Coca-Cola for the top advertising deal in the world's most populous market, winning the right to sponsor China's soccer league for five years.

A Chinese Football Association official said yesterday that Pepsi's bid of Rmb90m ($11m) a year had been accepted after a fierce bidding battle with Coke. The annual sponsorship price may be renegotiated each year, said one official.

Pepsi, which lags far behind Coke in Chinese sales, bought the right to call the league after its product, known as *baishikele* in Chinese. Pepsi may also place advertising boards around club grounds.

The impact of the deal cannot be underestimated in an increasingly brand-conscious country. According to one CFA official, there are 400m soccer fans in China, many of whom tune in to regular televised matches and read copious newspaper coverage.

Television commentators are in the habit of mentioning the name of the soccer league several times during a match, and print journalists include it in their reports.

It is generally accepted that much of the popularity of Marlboro cigarettes in China derives from Philip Morris's sponsorship of what has been called the Marlboro League for the past five years. Philip Morris agreed in 1994 to pay $1.2m a year with an annual increase of 5 per cent for its league sponsorship, a CFA official said.

Ericsson, the Swedish telecommunications equipment manufacturer, was also expected to win a related Chinese soccer advertising deal but the details were not clear, said a CFA official. Ericsson in China said the company was "very interested" in securing a soccer sponsorship slot, but declined to provide further information. China last year became the second biggest world market for mobile telephony equipment, after the US.

Despite Pepsi's soccer sponsorship victory, Coca-Cola has not been completely eclipsed. This week it unveiled the country's largest advertisement on a 26-storey building in Shanghai, depicting four pictures of Coke bottles covering 8,800 sq meters.

Red China: Former Manchester United star Sir Bobby Charlton passing on his skills at a Beijing soccer clinic

ABB to simplify share structure

By William Hall in Zurich and Tim Burt in Stockholm

ABB, the international engineering and technology group, is to simplify its structure by replacing four different types of securities with a single share which will clear the way for an eventual full US stock exchange listing.

Göran Lindahl, ABB's chief executive, said the decision to introduce one share with the same par value and voting rights, and replace the three holding company boards with just one, marked the "final step in fully integrating ABB", following the 1988 merger of Asea of Sweden and Brown Boveri of Switzerland.

ABB's announcement to modernise its share structure came with the release of the group's 1998 results which saw an 11 per cent rise in net income, to $1.3bn. ABB's problematic power generation business nearly tripled its contribution and all but one of the group's seven divisions posted higher earnings.

The delay in simplifying ABB's share structure had become embarrassing for the company and had begun to cast a shadow over ABB's claim to have consummated one of the world's most successful cross-border mergers.

ABB had moved decisively towards its goal of becoming a "faster, more knowledge and service-based global company", said Mr Lindahl. It had acquired several companies, of which the biggest was Elsag Bailey, and increased net income margins from 3.8 per cent to 4.2 per cent.

ABB's inflow of new orders in 1998 slipped to SFr31.5bn ($22.3bn) and Mr Lindahl admitted that his target of achieving $50bn of new orders by 2001 was obsolete because of the more challenging business environment and changing business profile of ABB. However, ABB remained committed to achieving average annual growth of at least 6 per cent and increasing its net income margin from 4.2 per cent, to between 6 per cent and 7 per cent by 2001.

Almost all ABB's international rivals have modernised their share structures and ABB's efforts to follow suit have been thwarted until now by the conflicting claims of the company's biggest shareholders, Sweden's Wallenberg family and Switzerland's Schmidheiny family.

One banker close to ABB noted that Martin Ebner, a Swiss investor who had invested heavily in both ABB's Swiss and Swedish parent companies, had probably forced ABB to simplify its share structure. The decision to put Mr Ebner on the ABB board, along with Jacob Wallenberg, son of family patriarch Peter Wallenberg, suggested that the major shareholders have demanded increased representation in return for giving up their rights.

Simon Marshall-Lockyer of BT Alex Brown in Zurich, said that Mr Lindahl was a worthy successor to Percy Barnevik, who had put together the 1988 merger of Sweden's Asea and Switzerland's Brown Boveri, and remains chairman. The move to a single share was the "final step in putting the past behind it", said Mr Marshall-Lockyer.

Lex, Page 16

AUTOMOTIVE INDUSTRY CHAIRMAN PISCHETSRIEDER UNDER FIRE FOR TROUBLES AT ROVER

BMW board set to decide chief's future

By Haig Simonian and Uta Harnischfeger in Frankfurt

BMW, the German carmaker that owns UK-based Rover, today convenes a crucial board meeting which is expected to settle the fate of Bernd Pischetsrieder, chairman, amid intense speculation that he may be removed to take the blame for BMW's ill-fated purchase of Rover.

But despite a flurry of media speculation that Mr Pischetsrieder will go, it appeared that the board would give him its backing. Yesterday, BMW dismissed the talk as "speculation" but appeared to leave the issue open when it said that personnel matters could be on the agenda.

German business executives said Mr Pischetsrieder appeared relaxed at a meeting of BMW's top managers in Munich to discuss the functional changes yesterday. There was absolutely no indication anything was afoot, said one participant: "It was totally normal".

The supervisory board meeting, also to take place in Munich, has been called to assess the German carmaker's strategy at Rover. Speculation mounted this week that the 1994 Rover acquisition, masterminded by Mr Pischetsrieder, could be his downfall, despite expressions of support from the Quandt family, which controls 45.6 per cent of BMW's stock.

Rover is expected to lose up to DM1bn (€511m, $580m) in 1998, based on BMW's conservative accounting standards, because of falling sales, restructuring costs and the strength of sterling.

Rover's problems have overshadowed BMW's own sales success in 1998 and led to a warning from the company to shareholders last week that profits this year would not match the DM1.25bn made in 1997.

The Quandt family has the power to tip the scales in crucial meetings such as today's. In January, the Quandt family flatly rejected speculation that they may look to take their money elsewhere.

Analysts say they doubt Mr Pischetsrieder will go at this stage. Klaus-Jürgen Melmer, head car analyst at Deutsche Bank in Frankfurt, expected BMW to give him another six months to pull Rover out of its worst trouble.

Then, he said, there may be only two solutions: either sell the whole concern or try to find a partner that could extract some synergies from using Rover's platform.

Georg Stürzer, senior car analyst at Bayerische HypoVereinsbank, said: "If someone like Jurgen Schrempp [DaimlerChrysler chairman] came in, he would just get rid of it all."

Speculation about Mr Pischetsrieder's removal triggered a surge in BWM shares yesterday to €693.50 at one point before closing €40 or 6.5 per cent higher at €660.

See Observer

VW comment heightens Scania battle

By Tim Burt in Stockholm

The battle for control of Scania, the Swedish heavy-truck manufacturer, took a fresh twist last night when Volkswagen hinted it was interested in developing a presence in the medium- and heavy-truck sector.

The German group is understood to have contacted Scania and Investor – the truck company's controlling shareholder and the main vehicle for Sweden's Wallenberg empire – following the acquisition last month of almost 13 per cent of Scania by Volvo, Scania's Swedish arch-rival.

Ferdinand Piëch, VW chairman, said yesterday the group would expand its truck interests "until a suitable opportunity [for acquisition or co-operation] arises".

Nevertheless, people familiar with the situation expressed surprise that VW would make its ambitions public if it was seriously contemplating a counter-offer to Volvo.

Volvo, which agreed last week to sell its car division to Ford of the US for SKr50bn ($6.34bn), has made plain it would like to fold Scania into its own heavy-trucks business.

Talks between Volvo and Investor were said yesterday to be continuing, although the Wallenberg company reacted coolly and said it was considering other options for Scania.

The two sides are thought not to have discussed a price or structure of any deal.

If Volvo secured an agreed deal with Investor – regarded as the most likely outcome by Swedish analysts – the enlarged group would become Europe's largest heavy-trucks manufacturer.

"It will come down to price and the value Volvo puts on the synergies it can achieve," said one official. Some observers believe Volvo could achieve savings of more than SKr3bn a year by pooling its marketing, purchasing and distribution activities with Scania.

But Scania officials have questioned the industrial logic of such a marriage, pointing out that a common platform could take a decade to develop and that distributors might not welcome a takeover.

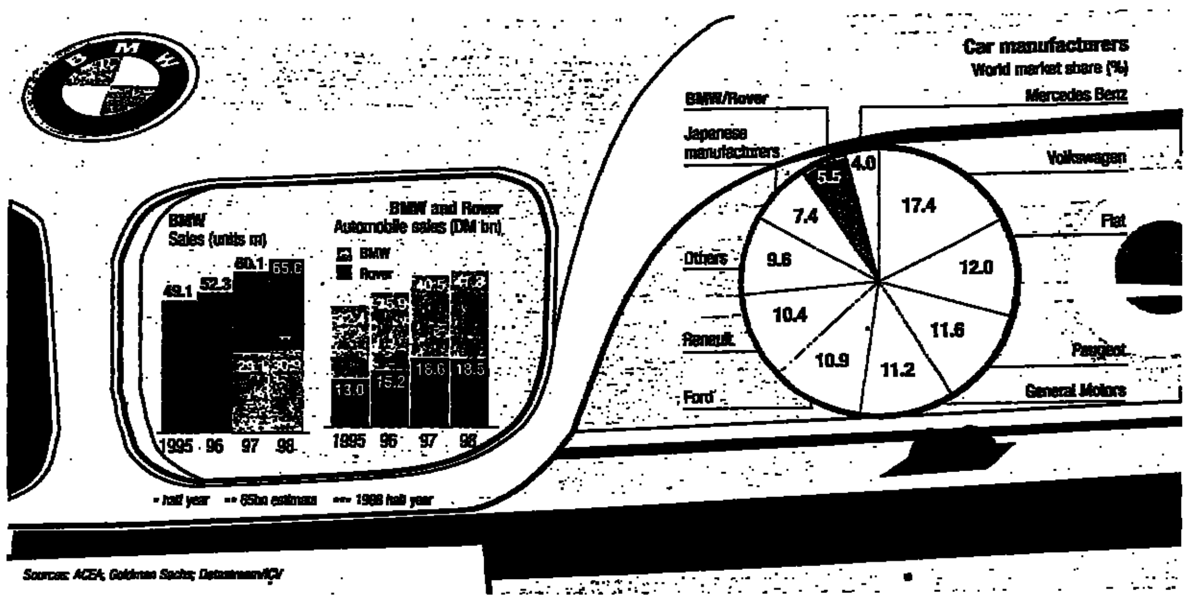
In the event of a change of ownership, Scania insiders have stated a preference for a partner promising complementary products, rather than the heavy-truck duplication offered by Volvo. Both companies claim about 15 per cent of the European heavy-truck market.

Although there were some suggestions yesterday that Fiat might be considering a rival bid for Scania in competition with Volvo, Italian analysts considered such a move highly unlikely. Fiat would be reluctant to enter into a costly bidding war, and in any event the Turin group was seeking an all-embracing automotive alliance rather than an acquisition in a specific sector such as trucks, they said.

Additional reporting by Paul Betts in Milan

End of the road for independence?

Consolidation is rapidly becoming the name of the game, writes **Haig Simonian**



Amid yesterday's frenzy of media speculation that Bernd Pischetsrieder's days as BMW chairman may be numbered, a broader question was looming: can the Bavarian carmaker cling to its independence while many of its rivals are merging?

Three years ago, BMW was revered as one of the world's most successful carmakers. It was a case study of outstanding engineering, canny marketing and brand management. Rivals admired the skill with which BMW had made itself synonymous with upmarket sports saloons. Marketing people from well beyond the motor industry lauded its skills in positioning its premium products as "The Ultimate Driving Machine".

It was just as BMW was reaching the crest of that wave that Mr Pischetsrieder bought Rover, masterminding the £800m acquisition from British Aerospace in what was one of the boldest moves in the motor industry at the time and an extraordinary step for the conservative German carmaker.

Backed by Eberhard von Kuenheim, his predecessor on the management board and now BMW's supervisory board chairman, he argued there were limits to how far BMW could grow with its one prestige brand. Adding the UK carmaker, best known for the Land Rover off-road marque but also boasting others such as MG and Mini, would bring complementary skills.

That was because Rover specialised in small front-wheel drive vehicles, compared with BMW's larger, rear-wheel drive products. Also, it offered additional market share in various countries, notably the UK. But Rover turned out to be much more of a handful than anyone at BMW expected. Technology, manufacturing skills and productivity were all below par, despite years of close co-operation with Honda. More acutely, the strength of sterling in the past two years put immense pressure on the company's already poor profitability. UK sales nosedived as continental European carmakers used their wider currency-enhanced margins to buy market share.

But Rover is only one of the issues facing BMW. Critics have attacked the group's conservatism at a time of unprecedented change in the motor industry.

On the product front, it has stuck to its core sports saloons, with only limited diversification into other niches, such as convertibles. That may be justifiable in business terms: BMW's emphasis on its "core values" has not hurt the bottom line, with continuing strong demand for its 3, 5 and 7 series saloons.

However, its apparent inflexibility has come at a time when competitors have ventured successfully on to new ground. Volkswagen's upmarket Audi brand has shown daring and determination in challenging BMW's traditional territory.

Mercedes-Benz, BMW's arch rival, has also branched out to break away from its staid image and ageing customer base. Even allowing for slips, such as the troubled tests of the A Class minicar that had to be expensively redesigned, diversification has brought Mercedes-Benz within easy reach of its target to sell 1m cars a year by 2000.

But it is the Daimler-Benz parent company that has really put the pressure on BMW. Its takeover last year of Chrysler of the US prompted a step change for the entire motor industry.

The creation of DaimlerChrysler has forced other car companies to re-assess their previous assumptions about optimum size and economies of scale. The DaimlerChrysler deal has left smaller, specialist carmakers looking vulnerable. Volvo, whose car subsidiary built almost 400,000 vehicles last year, drew the appropriate conclusions last month by selling its car operations to Ford for $6.45bn. For many analysts, BMW, which made about 700,000 cars last year, excluding almost 490,000 at Rover, looked next in line.

Mr Pischetsrieder and Wolfgang Reitzle, the group's head of product development, have emphasised BMW's ability and determination to remain independent. "We have the critical mass in all important areas in our business," said Mr Reitzle at the Detroit motor show last month.

Whoever runs the group, that view may have to be re-assessed.

In the short term, BMW will continue to be overshadowed by Rover, which has now lost all sight of its target to break even by next year.

Longer term, however, BMW's bosses will also have to bend their minds to the strategic issue of whether their group really is the right size to survive and flourish in an industry where consolidation has become the name of the game.

Future uncertain for Rover's Longbridge plant

By Juliette Jowit

Unions and industry experts yesterday expressed their concern over the fate of Bernd Pischetsrieder, BMW chairman, warning that his removal would jeopardise the future of Rover's biggest factory in the UK.

Although many observers expect BMW to reiterate its faith in Mr Pischetsrieder, there are strong fears that he may be removed at today's BMW board meeting.

The leading contender to replace him appears to be Wolfgang Reitzle, who has led the growing opposition to Rover on the BMW board.

Unions warned that Herr Reitzle favoured closing the Birmingham factory, which employs 14,000 workers, and keep only the Oxford plant to produce the Mini and Rover 75, and Land Rover at Solihull.

He is also seen as unlikely to back Mr Pischetsrieder's plans for a £300m ($491m) investment at Longbridge in Birmingham to build a replacement for the 200 and 400 series, they said.

Tony Woodley, chief negotiator with the T&GWU, said: "I'm very concerned because it's a well known fact that the one major supportive person on that board is Mr Pischetsrieder."

BMW said yesterday that personnel issues could be discussed at the meeting, but described talk of Mr Pischetsrieder's fate as "speculation". A further announcement will be made this afternoon.

The latest blow for the 14,000 Longbridge workers comes just two months after they agreed to 2,500 job losses and new flexible working hours, in exchange for long-term job guarantees.

The company blamed the high pound and inefficiencies at the outdated Longbridge plant for losses estimated at up to £500m last year, but promised to invest in new models to guarantee future employment.

Mr Woodley said he would be "demanding" BMW honour the agreement, which was ratified by the whole board.

Yesterday workers leaving the factory were angry they had found out through the media and uncertain about the future.

"If Pischetsrieder did go it would be very serious; I think it's more serious now than it was a couple of months ago," said Charles Walton, a driver and shop steward.

Sue Battle, chief executive of the Birmingham Chamber of Commerce, warned: "It's not just very serious for the people of Longbridge, but for the whole economy of the West Midlands because . . . there are so many other jobs in the supply industry that are dependent on contracts with Rover."

NEWS DIGEST

RECRUITMENT

Adecco lifts income to SFr406.4m in 1998

Adecco, the world's biggest temporary-staffing agency, said yesterday it had increased its income, before amortisation of goodwill, to SFr406.4m ($288m) in 1998. The company, formed from the 1996 merger of Switzerland's Adia and France's Ecco, is one of the fastest-growing companies in the industry.

Revenues rose 34 per cent, to SFr15.3bn, and operating margins were maintained at 4.2 per cent, halting the decline which had started in 1997. Operating expenses as a percentage of sales fell from 14.4 per cent to 13 per cent. After adjusting for acquisitions, underlying revenue growth was 23 per cent.

Adecco's results are complicated by the need to write off goodwill under US Gaap accounting, which resulted in a SFr194.8m loss in 1998. However, the company believes that income before amortisation of goodwill is the most relevant benchmark of its performance. It is also proposing to increase its dividend by 27 per cent, to SFr5.50 per share. **William Hall, Zurich**

COMPUTER NETWORKING

Olicom shares hit by loss

Shares in Olicom A/S, a Danish-based supplier of computer networking solutions, plunged 31 per cent yesterday to Dkr31 a share on an unexpectedly poor 1998 earnings report. Olicom, which is listed on Nasdaq as well as Copenhagen Stock Exchange, said its $22m net profit from 1997 swung to a $11.9m net loss in 1998, partly as a result of a restructuring but also because of price competition in core products.

Fourth-quarter net sales were $23.1m, down 63 per cent compared to the year-earlier period, while full-year sales were 2 per cent below 1997 sales at $206.8m. Olicom said it was targeting revenue growth of 15 per cent in 1999 against 1998 and full-year earnings per share in excess of $0.40. **Clare MacCarthy, Copenhagen**

UNIT TRUSTS

UK group in Den Danske deal

Singer & Friedlander Investment Management of the UK is to join the fund-management arm of Den Danske Bank, the Danish group, to provide a unit trust for domestic investors. The partnership with Danske Capital Management is Singer's first such deal with a continental European group.

Jane Martinson

MSDW vies for Spain lead

By Tom Burns in Madrid

Morgan Stanley Dean Witter, the US financial services group, is poised to take a leading position in Spain's securities business through the acquisition of Madrid-based AB Asesores, the biggest non-bank broking and asset management firm in the domestic market.

The transaction – the first cross-border takeover of a financial institution in Spain since the launch of the euro – is valued at between Pta45bn and Pta60bn (€270m-€361m, $306m-$408m) and is expected to be announced on Tuesday.

The move by MSDW, which has long been active in Spanish corporate finance, represents a strong challenge to a number of international institutions which have been drawn to Spain, one of the fastest-growing economies in the euro-zone, by the buoyant growth of the domestic fund business.

Asesores had Pta510.5bn funds under management at the end of last year and raised 1998 net profits by 24 per cent year-on-year to Pta3.2bn.

Spain's asset management business is growing faster than the European average, and the total volume of funds increased by Pta6,800bn last year to Pta33,800bn.

The acquisition of Asesores, which has 548 staff, will give MSDW a powerful foothold in the domestic fund market.

The Spanish firm, which was created in 1984, operates 40 offices nationwide and has 40,000 high net worth clients.

It also has a well established broking business as well as venture capital and corporate finance units, which are likely to be of lesser interest to MSDW.

Asesores is controlled by its three founding partners, who share 45 per cent of its equity, and by senior executives who own a further 25 per cent.

AIG, the US insurance group, holds a 30 per cent stake in the securities house.

Merrill Lynch was an early foreign entrant into this business when in 1996 it paid Pta3.7bn in 1996 for FG, a Madrid brokerage and fund firm that at the time rivalled Asesores as an independent securities house.

Last year Merrill opened a Barcelona office and said it would significantly boost its private banking business in Spain through a further three regional branches.

International groups that have recently set up Luxembourg-based equity investment vehicles to tap domestic savers include Fidelity of the US, while Schroders, the UK merchant bank, has added an investment management division to its corporate finance business in Madrid.

Canal Plus in PFE talks

By Alice Rawsthorn

Canal Plus, the French media group, is in talks with Prince Muhammad Bin Bandur Abdul Aziz regarding the acquisition of the rights to PolyGram Filmed Entertainment (PFE) pictures if he succeeds in his $500m bid for the company.

The prince, a member of the Saudi royal family, paid $50m into an escrow account last week as a gesture of good faith to Seagram, the Canadian entertainment concern which bought the entire PolyGram group for $11bn late last year.

His lawyers have since been locked in negotiations with Seagram's advisers in New York, trying to finalise a deal worth roughly $500m.

Providing the prince can finance the deal, Seagram will agree to the sale, thereby shelving plans to merge PFE's non-US assets with its Universal Pictures subsidiary.

Canal Plus expressed interest in PFE, which backed such hits as *Four Weddings And A Funeral*, *Fargo* and *Elizabeth*, as soon as Seagram put it up for sale last summer.

The French group is anxious to expand its feature film interests and to reduce its reliance on the Hollywood studios as suppliers of pictures for its pay-TV channels.

However, Canal Plus could not afford to meet Seagram's price expectations by paying at least $750m for PFE, and was forced to try to orchestrate a joint bid with other investors.

Prince Muhammad indicated his interest in PFE several months ago.

Seagram discounted him as a serious bidder, however, because it doubted his ability to finance the transaction.

The prince dispelled its doubts with last week's $50m down-payment, and is now in discussions with Canal Plus.

The French group, which recently raised its stake in the Pathé entertainment concern, is keen to secure distribution rights to PFE films in some markets, notably France.

Alternatively, it may run the business there with the prince on a joint-venture basis.

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NEWS DIGEST

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Den Danske deal

TELECOMMUNICATIONS US CARRIER SEES 83% JUMP IN INTERNATIONAL SUBSCRIBERS

AirTouch reports strong overseas growth

By Richard Waters in New York

AirTouch yesterday underlined a fact that has become increasingly evident in the US wireless telecommunications industry: for US carriers, the strongest growth is coming far from home.

The company recorded an 83 per cent jump in overseas subscribers last year, to 5.7m, far in excess of its 18 per cent domestic growth.

The overseas figures are based on its proportionate share of ventures in which it has minority interests. It is the international potential that lay behind Vodafone's successful $62bn takeover offer for AirTouch last month.

The San Francisco-based company is not alone in recording its best growth rates in international markets, where the faster growth reflects the fact that many of the ventures are at an early stage of development.

Both Bell Atlantic, which is one of the largest shareholders in Omnitel, the fast-growing Italian carrier, and BellSouth, which has turned south to Latin America, registered strong gains abroad.

AirTouch's expansion abroad helped the company to beat Wall Street expectations, with net income of $130m in the final quarter of last year, 34 per cent higher than a year before.

The company said it believed subscriber numbers would continue to grow at a "robust" rate for the industry, but it warned that the rate of growth would slow as competition in a number of markets increased.

The US saw a burst of new competition last year, as carriers that bid successfully in the auctions of so-called PCS rights in the mid-1990s came close to completing the construction of their networks.

Sprint PCS, the only company to attempt to build a new national network from scratch, spent heavily to acquire 1.7m new customers during the year, taking the total to 2.6m.

The arrival of four new PCS carriers in some US cities – breaking up the old cellular duopolies that had existed before – has driven down prices, one of the factors behind the growth in new subscribers.

AirTouch said the average revenues generated from each customer were likely to continue to fall, but that it believed the rate of decline would "continue slowing in some AirTouch markets, including the US".

AirTouch's posted net income of $608m last year, up 54 per cent from the year before, while earnings per share rose 37 per cent to $1.07. Revenues climbed 44 per cent to $5.2bn for the year, and 55 per cent to $1.5bn in the final quarter.

The company also released pro-forma earnings for the fourth quarter, including its share of international businesses and adjusted to take account of its acquisition of US West's wireless properties last year. These rose from $32m to $130m, while pro-forma revenues were ahead 29 per cent to $2.1bn.

US wireless carriers

		Subscribers (m)	Growth (%)	Revenues ($bn)	Growth (%)
AirTouch	- US*	8.3	18	5.2	17
	- Intl**	5.7	83	2.3	43
AT&T		7.2	22	5.4	16
SBC Communications		6.9	25	n.a.	n.a.
Bell Atlantic	- US	6.2	16	3.5	12
	- Intl**	2.0	144	0.9	85
BellSouth	- US	4.8	19	2.6	5
	- Intl**	3.4	80	2.1	67
GTE		4.8	7	2.7	5
Ameritech		3.6	13	n.a.	n.a.
Sprint PCS		2.6	290	1.2	n.a.

* Does not include 3.5m paging customers
** Proportionate share of international ventures
Sources: Company reports; FT calculations

Adversaries square up for anti-inflammatory drug wars

Monsanto pins hopes on eagerly awaited arthritic drug Celebrex just as Merck comes to market with Vioxx, writes **David Pilling**

Only in the drugs industry can the fate of a huge company be determined by the structure of a tiny molecule. Nowhere is this better illustrated than in the soon to start battle over the potential $5bn market for Cox-2 inhibitors, a new class of molecule, or drug, that expapers to have ended the 60-year search for a safe aspirin.

Not since the mid-1980s, when Glaxo launched Zantac, an anti-ulcer drug, to challenge SmithKline's Tagamet, has a marketing war been so eagerly awaited.

Last month Monsanto, the US life science company, won approval from the Food and Drug Administration to market Celebrex, a Cox-2 inhibitor that combats arthritic pain and inflammation without causing the stomach ulcers often associated with aspirin and ibuprofen. In its second week on the market, 45,000 prescriptions for Celebrex were written, making it the most successful drug launch after Viagra, Pfizer's anti-impotence pill.

But Monsanto, which is co-marketing Celebrex with Pfizer, will not have the lucrative market to itself for very long for Merck, the world's biggest drugs company, will launch Vioxx, a Cox-2 of its own within months. Each drug, which will be priced higher than the non-steroidal anti-inflammatory drugs (NSAIDs) such as ibuprofen, is expected to notch up sales of $2bn within four years.

The scrap over Cox-2's is expected to be mean. "This is going to be the most promoted product ever in the history of the US pharmaceuticals industry," says Dick De Schutter, chief executive of Searle, the Monsanto drugs unit that developed Celebrex.

For Monsanto, whose merger talks with American Home Products ended bitterly last year, Celebrex's success is vital. "Celebrex is the fuel that could guarantee the growth of Monsanto as an independent company," says Sergio Traversa, pharmaceuticals analyst at Mehta Partners in New York.

Searle admits a lot is riding on Celebrex, which could practically double the drug unit's sales of $2.8bn.

For Merck too, the stakes are high. Although its pharmaceuticals sales of $15bn dwarf those of Searle, Merck faces an earnings squeeze over the next few years as several of its biggest products lose protection from generic competition. Analysts estimate that could mean lost revenue of up to $3.5bn in 2002.

"We've got big drugs going off patent, so we need big drugs to replace them," says Raymond Gilmartin, Merck's chief executive.

Moreover, Merck recently announced a setback in its "Substance P" programme to develop a potentially blockbuster anti-depressant. That makes the performance of Vioxx even more crucial.

In clinical terms, there appears little to separate Celebrex from Vioxx. Both work by blocking cyclo-oxygenase-2, an enzyme responsible for pain, without inhibiting the virtually identical cyclo-oxygenase-1; which protects the stomach lining. NSAIDs block both enzymes, sometimes leading to serious stomach lesions, and the deaths of an estimated 16,000 people in the US each year.

Celebrex starts with one advantage: it has beaten Merck to market. "It's critically important to be first," says Al Heller, Searle's chief operating officer. Searle hopes that, if it can convince patients of the benefits of its Cox-2's first, Merck will find it hard to persuade them to switch.

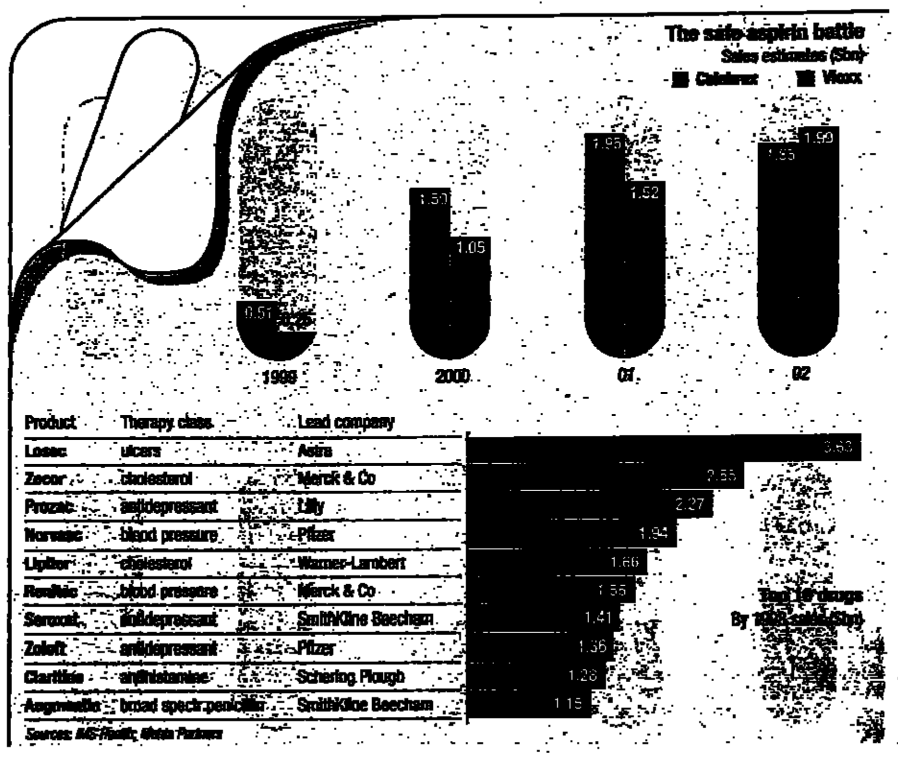
Both companies are expected to employ huge sales-forces, to give away free samples and to take out television and magazine advertising slots.

When Vioxx is launched, probably by mid-1999, analysts expect the Merck machine to crank into action. "The basis of competition will be the clinical data that we have, and how much [product] differentiation we can establish," says Mr Gilmartin.

The initial clash is just the start. Both companies hope to win regulatory approval for Cox-2's as a treatment for other inflammatory conditions, such as colon cancer and Alzheimer's. And both are working on second-generation drugs, safer and more potent than the first.

They hope to get those on the market in 2001, before Johnson & Johnson, a US rival, launches a second-generation Cox-2 of its own, licensed in from Japan Tobacco. Roche and Novartis of Switzerland, as well as Glaxo Wellcome are just some of the companies believed to be working on Cox-2 programmes.

Mr Gilmartin is not worried by competition: "This is a whole new class of drug and you've got two guys out there within months of each other. That sets up a very interesting competitive rivalry. And that can only be good for the patient."



Brazil postpones telecoms auction

By John Barham in São Paulo

Brazil has postponed the auction of two telecommunications concessions because the government has detected "clear signs of interest from investors" in the setting up of "mirror" networks to compete with the existing system privatised last July.

Only two groups submitted bids at an auction held in January for four contracts, forcing the government to schedule a second round in March.

João Henrique Dourado, a spokesman for the government's Anatel telecoms regulator, said the government agreed to postpone the auction after three companies asked for an extension. They said they needed more time, due to confusion caused by last month's collapse of the Real, Brazil's currency.

The Real has since lost 35 per cent of its value, triggering a crisis that, if the recession forecast for 1999 is as severe as predicted, could reignite inflation.

The government hopes a successful round of bidding in the spring will help dispel doubts over its ambitious 1999 privatisation programme. It expects to raise $20bn this year from the sale of assets including 31.7 per cent of common stock in Petrobras, the national oil company, and control of Banespa, the federally controlled São Paulo state bank.

The mirror auctions are part of the privatisation of Brazil's telecoms companies, which the government sold last July for $18.92bn, 63 per cent more than the minimum price.

Mr Dourado said Santiago-based group Qualcomm was the only company to specify which area it plans to bid for. It wants to set up a mirror network using wireless local loop technology in São Paulo, the country's business capital. No groups bid for the São Paulo concession in January. Qualcomm and Bell Canada International are the main shareholders in a mirror company covering the north and east of Brazil as well as Rio de Janeiro.

The government has not set minimum prices for the mirror company concessions and will evaluate bids mainly on technical factors. Consortia must include a member with experience of networks of at least 500,000 fixed or cell lines. The mirror companies must serve at least half the cities in their territories with more than 200,000 inhabitants by the end of this year.

Telmex feels heat

By Andrea Mandel-Campbell in Mexico City

Fourth-quarter results at Telmex suffered as the Mexican telecommunications group began to feel the heat from increased competition and a drop in telephone rates, analysts said.

Revenues rose 3.64 per cent, while the 26 per cent rise in net income was largely due to currency gains. Long-distance revenues, however, plummeted 75 per cent owing to increased competition and a long-running dispute with AT&T and MCI WorldCom over international settlement rates. Telmex said it lost 1.3bn pesos ($129m) because of a drop in interconnection fees charged to US telecoms companies to complete calls to Mexico.

Nevertheless, its mobile subsidiary, Telcel, almost doubled its subscriber base, translating into a 61 per cent increase in sales to 7.9bn pesos for the year. It also posted its best showing in basic line installation since the devaluation of the peso in 1994, with the number of basic telephone lines growing by 7.3 per cent.

Total Telmex revenues for the year rose 8.6 per cent to 73.2bn pesos helping to lift earnings per share slightly above expectations to 62 pesos for the fourth quarter and 2.12 pesos for the year.

Mexican banks defy forecasts

By Henry Tricks in Mexico City

Mexico's two largest banks, controlling almost half the deposits in the system, defied predictions that financial turmoil would stall the banking sector's recovery late last year. They saw profits surge in the fourth quarter.

The two banks, Banamex and Bancomer, expected their lending operations to survive high interest rates though analysts say that confidence is misplaced if interest rates do not fall soon.

In the fourth quarter, Banacci, Banamex's parent company, reported earnings per share of 2.05 pesos (-0.09 pesos). It was quadruple the average forecast of financial analysts.

Bancomer's final quarter profits rose to 1.174bn pesos ($116m), from 826m pesos previously.

During the period, Mexican interest rates doubled to more than 30 per cent as international financial upheaval swept from Russia to Brazil. That had been expected to hurt the asset quality of Mexican banks just as they were recovering from a three-year banking crisis.

It did take a toll: Banamex's performing loans, excluding those held in a government trust, shrank 2 per cent in the quarter and past-due loans crept 1 per cent higher after both indicators had improved in the three prior quarters.

But the surge in rates also drove up income from the spreads the two banks charged their customers. In Banamex's case that doubled its interest margin and caused a dramatic 7bn pesos improvement in core bank operating profits between 1997 and 1998.

Banking analysts were impressed with the results, but they doubted their sustainability. "I am cautioning investors that these banks are still coming out of a very difficult environment," said Jason Mollin, a banking analyst at Dresdner Kleinwort Benson in New York. "For the benefit of the economy and for banks to grow we need to see interest rates come down."

Souza Cruz hit by smuggling

By John Barham

Paraguayan cigarette smugglers who bootleg cut-price cigarettes into Brazil took a heavy bite last year out of the sale of Brazil's tobacco giant, British owned Souza Cruz, which posted 1998 gross revenues of R$5.6bn (US$3.2bn) – then worth R$4.67bn – down 19 per cent in dollar terms.

Announcing its 1998 results, the company said it hoped the government would bring contraband under control. Starting on January 1, Brasília imposed a 150 per cent tax on exports of Brazilian-made cigarettes to neighbouring countries.

Previously Paraguay-based companies would legally import Souza Cruz cigarettes from Brazil free of tax and then smuggle them back into the country across the long and porous frontier.

Souza Cruz said exported cigarettes were worth R$673.8m last year, a substantial part going to Paraguay and other countries bordering Brazil. Although domestic sales fell sharply, Souza Cruz, which controls 83 per cent of the Brazilian market, said its pre-tax profits actually rose 62 per cent in dollar terms to R$344.4m in 1998.

Part of this big increase in profits was due to the company's recognition of R$138m in net tax credits. Net income would have risen just 1.8 per cent in dollar terms were it not for these extraordinary items.

The company added that a restructuring programme had also yielded significant efficiency gains, boosting profits.

Analysts say that Souza Cruz, controlled by Britain's BAT Industries, should weather the country's deepening recession better than many other Brazilian companies. Economists forecast a GDP contraction of up to 7 per cent this year after the Real, Brazil's currency, devalued by more than 30 per cent in January.

One analyst commented: "We are recommending Souza Cruz as a classic defensive play for those investors who have to remain in the high risk Brazilian equities market."

Call-Net eyes local phone market

By Scott Morrison in Toronto

Competition in local Canadian telecommunications moved a step closer yesterday when Call-Net Enterprises, the long-distance carrier, unveiled plans to launch a local business and residential service in Calgary.

The company said it would offer service in Toronto, Montreal and Vancouver by the end of this year.

Call-Net, 25 per cent owned by Sprint, the US long-distance provider, is the second company to move into Canada's C$8.5bn (US$5.6bn) local telecoms market, dominated by the country's former telephone monopolies. MetroNet Communications began services in a handful of markets across the country. AT&T Canada said it would provide local business services in up to seven big urban areas by the end of 1999.

Analysts suggest local competitors could eventually gain a 30 per cent market share in Canada's large cities, attacking the core business of incumbent carriers such as Bell Canada and the merging BCT.Telus Communications.

Juri Koor, Call-Net chief executive, anticipated his company would win a 15 per cent market share in each sector in which it operates within five years of launching. Incumbent carriers, such as BCE's Bell Canada, have responded by rebalancing rates in order to lower monthly business fees by about 10 per cent.

Unlike the timing of Canada's 1992 long-distance deregulation, which fell behind the US, local competition among Canadian carriers is progressing just as US companies start vying in local markets.

The local market was officially opened to competition at the beginning of 1998, but technical problems in transferring phone numbers from one system to another delayed launches by alternate carriers.

They were also forced to wait until regulators set a fee structure last autumn determining how much they would be required to pay incumbents for using existing infrastructure.

A key impediment to entering the local market has been the significant capital investment required to purchase switches and install fibre optic networks.

Mr Koor said his company would lease lines from incumbent BCT.Telus until Call-Net's local customer base justified building its own fibre network to serve the region. The company has estimated it would eventually invest up to C$1bn to establish local service infrastructure.

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Nippon Steel issues zero profit warning

By Alexandra Harney in Tokyo

Nippon Steel, Japan's leading steel manufacturer, warned yesterday that difficult conditions in the domestic market and an unexpected collapse in export volumes meant it would not make a profit this year.

The warning came as the trade ministry said Japan's steel industry had bottomed out and was poised for recovery. Shinya Okuda, director of the iron and steel division of the Ministry of International Trade and Industry, said steelmakers were already seeing the benefits of a government economic stimulus programme and a modest revival in demand.

The level of Japanese steel exports has plunged in recent months since US steel producers filed anti-dumping charges against Japan last September. This eliminated the only source of revenue growth for Japanese steelmakers, and revived fears of bankruptcy in the embattled steel sector.

Nippon Steel revised its earlier forecast of Y5bn ($44.5m) in net earnings to no additional after-tax profits. This compares with Y35.3bn in net earnings last year, on sales of Y2,205bn. Nippon Steel also cut its sales forecast to Y1,920bn.

The group, which had about Y2,621bn in interest-bearing liabilities in March 1998, has been shedding assets and retiring workers to improve its balance sheets. It expects a Y120bn extraordinary loss on sale of its semiconductor business, and a Y35bn extraordinary loss on valuation of marketable securities. Nippon Steel was the only one of the big five steel manufacturers that had expected to make an after-tax profit this year.

However, Mr Okuda insisted that the steelmakers' core operations were still profitable.

"The situation in the steel sector is not serious ... the steel divisions at the five integrated steelmakers are still in the black. The problem is that they invested in different businesses, including semiconductors and machinery, and that is holding them back," he said.

Japanese steel producers had eliminated most inefficiencies in their steelmaking operations, although some of the non-core businesses were still overstaffed, he said. Their business interests include concert hall management and farming shiitake mushrooms – but these allowed steelmakers to uphold their social responsibility by preserving employment, Mr Okuda added.

Trade ministry officials said the steel sector would benefit greatly from the knock-on effects of the Y24,000bn stimulus package that goes into effect in April, including tax incentives for closing plants.

But analysts remain cautious. Toru Nagai, industry analyst at Morgan Stanley Dean Witter in Tokyo, said steelmakers still had three months of inventory as a result of weak domestic demand and the collapse in exports.

"Even if demand did recover in the next fiscal year, it still would not be anything dramatic," he said.

Hitachi warns of further losses

By Julie Hess in Tokyo

Hitachi, Japan's leading electronics conglomerate, yesterday warned it would post consolidated net losses of Y375bn ($3.3bn) in fiscal 1998, sharply worse than its previous estimate of Y250bn losses. The company also said it would halve its dividend from Y11 to Y5.5.

The company, which last year posted a Y4.5bn profit, blamed extraordinary losses related to restructuring the semiconductor business and sluggish sales in Hitachi's main product groups.

The dismal results show how poor domestic demand is dragging down Japan's powerful industry groups.

Hitachi, one of the country's biggest employers with about 300,000 staff, has suffered from poor domestic sales of industrial machinery, electronic devices and consumer electronic products.

Hitachi's total parent extraordinary loss was Y210bn, with restructuring costs accounting for Y185bn. It also recorded losses from write-downs of security investments of Y23bn and amortisation of pension funds plans of Y32bn.

Although Hitachi forecast a small net profit in fiscal 1999, some analysts were sceptical. Steven Myers, at Jardine Fleming, said: "It is unlikely Hitachi will break even by March 2000. But there had better be an improvement in the next fiscal year if Hitachi is not to start destroying shareholders' equity."

However, Noboru Sasaki, a Schroders analyst, disagreed: "We think the profit target is realistic, as we are expecting that from the second half of next year, the D-Ram business will turn into the black and the semiconductor losses will be reduced. Moreover, other business divisions will start to generate profits."

Hitachi's restructuring will be crucial for next year's earnings. Analysts last year described the group's shake-up as "too little, too slow".

However, Hitachi announced that restructuring in the heavy electricals and consumer electronics divisions had been completed. But it said restructuring must continue in the semiconductor and data processing area.

Analysts are also concerned about Hitachi's financial condition. While the net debt to equity ratio of 44 per cent for March 1998 was more than sufficient, it was likely to rise sharply, analysts said. The company predicted a funding gap of Y15bn in the financial balance for this fiscal year.

Hitachi shares fell Y30, or 3.8 per cent, to Y768 after yesterday's profit warning.

Nissan refocus ahead of tie-up

By Alexandra Harney in Tokyo

Yoshikazu Hanawa, president of Nissan Motors, yesterday revealed another round of restructuring including asset sales and possible factory closures in Japan but left details of a capital tie-up with DaimlerChrysler unclear.

Mr Hanawa's reticence to discuss a possible tie-up suggests that negotiations about the US-German group's purchase of Nissan Diesel, Nissan's truck and engine affiliate, and a broader alliance have entered a critical stage.

The acceleration in cost-cutting plans also indicates that DaimlerChrysler may force Nissan to step up its restructuring efforts.

DaimlerChrysler is thought to have offered to buy 10 per cent of Nissan's core operations and all of its nearly 40 per cent share in Nissan Diesel, on the condition that the Japanese carmaker accelerates its restructuring to eliminate part of its Y4,300bn ($38bn) interest-bearing debt burden.

Mr Hanawa refused to discuss any aspect of the negotiations, except to say that the sale of Nissan Diesel was the "most important" and that DaimlerChrysler would have to buy more than 10 per cent of shares in order for the deal to be of any value.

"To the extent that we are trying to strengthen our mutual relations, that level of investment would be insufficient," he said.

Yoshikazu Hanawa: his reticence suggests DaimlerChrysler negotiations are at critical stage Reuters

However, Mr Hanawa added, "[an equity tie-up] is not a matter of percentage. We will consider the deals on a case-by-case basis ... I could imagine several ideal arrangements we could form, depending on the partner. There is not one pattern – we are flexible".

Mr Hanawa also said he had no objection to foreign managers taking a role in Nissan management, as happened when Ford Motor bought a 33.4 per cent stake in Mazda. "We are not particularly worried about [foreign management]," he said.

Ford and Renault, the French carmaker, have also expressed an interest in purchasing part of Nissan, although Mr Hanawa denied any knowledge of these offers.

He said he aimed to make deeper cuts in production capacity in Japan – including closing factory lines and possibly entire plants. In a break with the past, Nissan would also encourage mergers among its parts suppliers regardless of their *keiretsu*, or industrial group, affiliation.

The Japanese group has already announced plans to cut the US workforce by 5 per cent by 2000 and sell unprofitable assets.

Mr Hanawa also announced the launch of the carmaker's first hybrid electric vehicle this year, which is based on an existing platform.

NEWS DIGEST

BANKING

JP Morgan opens first branch office in India

JP Morgan, the US bank, yesterday opened its first branch office in India in a renewed effort to enter the Indian market. Last year, the bank pulled out of a joint venture with ICICI, the Indian financial institution, after a disagreement on strategy.

The move is the latest signal of a revival of foreign interest in India's financial sector. This week a private equity fund and holding company affiliated to Chase Manhattan bought a 15 per cent stake in HDFC bank, a retail bank. Chase Manhattan also announced an alliance with the retail bank's parent, HDFC, India's biggest provider of home loans. NM Rothschild, the UK investment bank, set up its first office in India late last year, also in Bombay.

Nicolas Rohatyn, managing director of JP Morgan Securities, said the new office would enable the bank to develop its treasury and foreign exchange activities in the country and pursue a focused investment banking effort.

JP Morgan will invest about $50m in its India operations and employ about 40 people, including some bankers who had worked in the ICICI joint venture.
Krishna Guha, Bombay

FORESTRY

NZ group earnings fall 80%

Carter Holt Harvey, the New Zealand forestry group and subsidiary of International Paper, yesterday blamed an 80 per cent fall in net earnings for the nine months to December 31 on the Asian economic crisis. John Faraci, chief executive, said the crisis had led to low prices for logs, timber, pulp and paper products. However, he noted that there were signs of an improvement in earnings in the last quarter.

Third quarter export log sales were 61 per cent up on the preceding quarter at 384,000 tonnes, mainly due to improvements in the South Korean economy. Mr Faraci said business conditions in New Zealand and some Asian markets continued to improve. Consolidated net earnings for the nine months were NZ$25m (US$13.6m), compared with NZ$127m for the same period of 1997. Net sales were NZ$2.1bn against NZ$2.3bn. Earnings before restructuring costs fell from NZ$129m to NZ$51m.
Terry Hall, Wellington

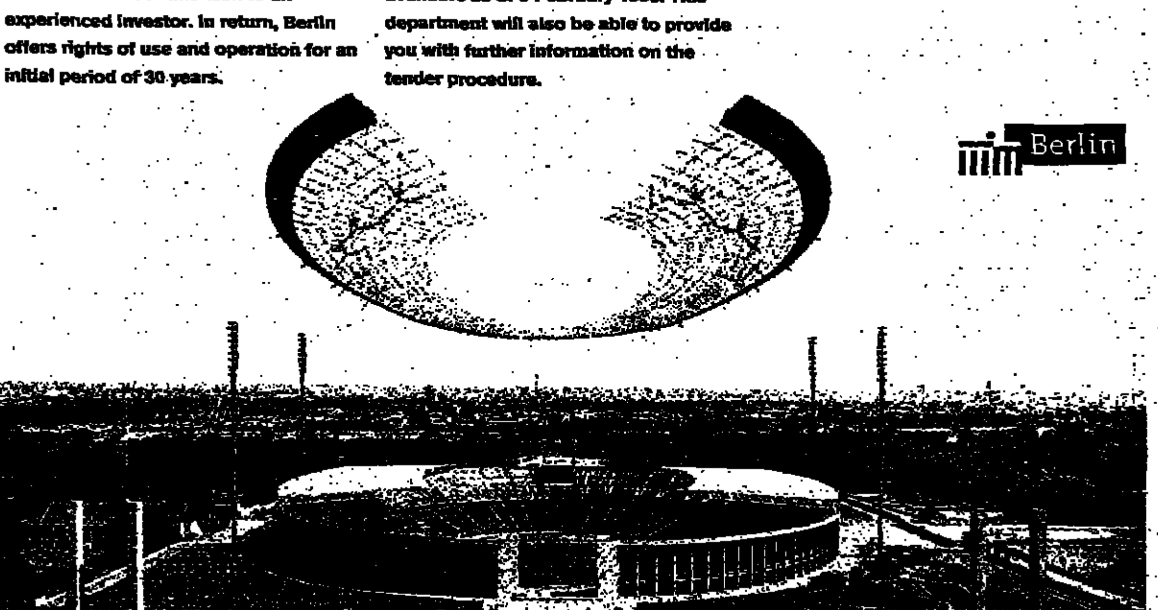
CHEMICALS

Fernz aims for CFPI profit

Fernz, the New Zealand-based chemicals group, said yesterday it expects to generate more than half its income in the northern hemisphere this year as it consolidates its activities following the purchase of French company CFPI. The CFPI restructuring, including disposals worth NZ$50m (US$27.2m) was almost complete and directors said they were confident of achieving the forecast 20 per cent rise in after tax operating profit to NZ$61m for the year to May after earning a comparatively modest NZ$11.2m in the six months to November 30. The group normally earns three quarters of its profits in the second half.

Sales revenue was up 22.6 per cent, of which 11 per cent was generated in New Zealand. **Terry Hall**

THE PROPERTY MARKET



ENGINEERING GROUP'S STRATEGY IS TO DIVERSIFY BOTH GEOGRAPHICALLY AND INTO DOWNSTREAM BUSINESSES

British Steel looking at large US purchase

By Kevin Brown

British Steel is considering spending up to £500m ($800m) to acquire a distribution business in North America as part of a growth and diversification strategy being implemented by John Bryant, its new chief executive.

Mr Bryant, who succeeded Sir Brian Moffat as chief executive in January, said in an interview with the Financial Times that his appointment was an opportunity for a review of growth opportunities in the UK, Europe and North America.

Mr Bryant outlined a strategy of diversifying both geographically and into downstream businesses. He refused to say which target companies were being evaluated, where they were located, or what the company was prepared to pay.

However, executives are believed to be looking at several possible acquisitions in Europe and North America. The deal closest to completion is thought to be the purchase of an independent US steel distributor for between $600m and $800m.

Mr Bryant made clear that British Steel is determined to use its strong balance sheet to expand through acquisitions, in spite of low steel prices which will push the company into loss.

He said British Steel was still "very interested" in acquiring a steel plant in Katowice, Poland. The company has been identified by local management as the preferred bidder, but no deal has yet been reached with the Polish government.

"Having come through the first 10 years as a private company, we are in a position now where we really need to be looking to grow as a company, and that may very well be more overseas than in the UK," Mr Bryant said.

His growth-oriented strategy will be seen as a firm break with the more cautious approach of Sir Brian, now non-executive chairman, who was seen as having been reluctant to spend. British Steel believes diversifying into overseas and downstream markets will help to smooth the impact of volatile steel prices on its pre-tax profits, which vary by £65m for every 1 per cent movement in prices.

Mr Bryant said European steel prices, which have fallen to an all time low in real terms since the end of 1997, would probably begin to rise in the second quarter following destocking by customers and signs of a more robust US market.

Analysts are forecasting pre-tax losses of about £300m for 1998-99.

ICI tumbles but maintains pay-out

By Virginia Marsh and Lucy Smy

Imperial Chemicals Industries said yesterday that cutting its £4.17bn ($6.83bn) debt was the priority this year as it maintained its dividend despite a drop in 1998 pre-tax profits to £293m (£518m).

Brendan O'Neill, who is to become chief executive in April, said the group aimed to reduce debt to less than £3.5bn this year.

Longer term, it hoped to cut net borrowings to 30-40 per cent of its market capitalisation. This compares with a ratio of 110 per cent, based on yesterday's share price of 527p, up 9p.

The group said it had looked "long and hard" at whether it should cut its 1998 dividend – which at 32p is uncovered by earnings per share of 26.7p – and would review the situation again this year.

"We said that in the transition period [from commodity to speciality chemicals] we would not change our dividend policy," said Alan Spall, finance director.

ICI said its debt – which peaked at £6bn after it bought Unilever's speciality chemicals businesses for £4.9bn in mid-1997 – meant it would not make further large-scale acquisitions this year. Last year, it agreed to spend £960m on acquisitions before deals selling its titanium dioxide businesses for £598m collapsed.

However, the group maintained its speciality chemicals businesses did not need more than bolt-on acquisitions as they already had sufficient critical mass.

ICI also insisted its disposal programme remained on track despite the setback on tioxide and its failure to find buyers for its other loss-making, mainly UK-based industrial chemicals operations which have been up for sale since 1997. Then, it said it aimed to raise £5bn from disposals by mid-2000. By last year, it had raised about £3.5bn.

A second year of losses in industrial chemicals was partly behind a fall in profits to £321m (£385m) before exceptionals and goodwill, on sales down 16 per cent at £9.29bn (£11.1bn). Because of the debt, interest charges were again high at £332m (£282m), giving cover of just 1.7 times, but the results were in line with expectations.

Brendan O'Neill: priority is to cut debt Jason Orton

H&Q to sell one European operation

By Clay Harris

Close Brothers, the investment bank, is to buy the continental European operation of Hambrecht & Quist, the US securities house specialising in high-technology companies.

The purchase of Paris-based Hambrecht & Quist Euromarkets will extend Close Brothers' continental operations. Last year it bought a majority stake in Freyberg Hambros, the Frankfurt corporate finance house.

HQEM, which will be renamed Close Brothers Equity Markets, specialises in private placements and initial public offerings for European growth companies in the information technology, life sciences and branded consumer goods sectors. Its strongest contacts are in France and Germany.

It has led or co-managed 18 of the 66 IPOs in its chosen sectors on Germany's Neuer Markt, the Nouveau Marché in France and the pan-European Easdaq exchange.

Close Brothers will take over its memberships of all three markets.

The sale by H&Q reflects a rethinking of its European strategy. Its presence will be reduced to a London office, where resources will be added.

Paul Cleveland, head of *mergers and acquisitions*, said: "Our clients are going to get better service from us by concentrating our firepower in London."

James Macmillan-Scott, who will continue as head of the Paris operation under Close Brothers, said: "European companies are more interested in a relationship-driven investment style."

Delphi agrees Adecco bid

By Susanna Voyle

Adecco, the Swiss group that is the world's biggest supplier of temporary staff, yesterday became the latest overseas buyer to swoop on the depressed UK recruitment sector.

The group – formed in 1996 by the merger of Adia of Switzerland and Ecco of France – announced a £167m ($274m) agreed cash bid for Delphi, which specialises in information technology staff.

The deal, which will put about £8.4m in the pockets of Delphi's shareholding directors, strengthens Adecco's position in IT and follows a series of acquisitions to build its higher margin specialist brands. These provide 10 per cent of group turnover and 20 per cent of profits.

John Bowmer, Adecco's chief executive, said the UK market did not value recruitment companies as highly as those in the US, Switzerland or the Netherlands.

Delphi shares jumped 62½p yesterday to 555p. Adecco's were unchanged at SFr679. The 550p a share offer from Adecco values the group at £167m when taken with a special cash dividend of 15p which will be paid if the offer is successful. The combined offer is at a premium of 50.7 per cent of the price of Delphi shares before the talks became public.

Adecco last night said it controlled 29.9 per cent of Delphi shares after spending £36.7m to buy a 22.2 per cent stake in the market.

Delphi was advised by Close Brothers and Adecco by CSFB.

See Lex

Flowserve is named as Weir's unwelcome suitor

By Andrew Edgecliffe-Johnson and Michael Peel

Flowserve is the unnamed US pump maker that has made an unsolicited £600m ($984m) takeover approach to Weir Group, it is understood.

It is believed Weir, based in Glasgow, and one of the world's 10 biggest pump makers, will oppose the approach on the grounds that it fails to reflect the group's true value.

The approach, revealed by Weir on Tuesday, came after a series of takeovers by US engineers seeking to take advantage of the relative cheapness of their UK counterparts. Initial news of the approach sent Weir shares soaring from 232p to 294½p. They ended yesterday at 307p, up 3p, giving the group a market capitalisation of just over £600m. The shares stood at 305p in March last year.

Flowserve, based in Texas, was formed by the merger almost 18 months ago of BW/IP and Durco International. It makes seals and valves as well as pumps and has a market capitalisation of about $650m.

Some people in the industry believe the merger has not produced the hoped-for benefits. Flowserve's share price has suffered badly, *falling from $34¾ in July 1997 to $17⅛* at Wednesday's close.

Flowserve, which had cash and cash equivalents of $20.8m at September 30 last year, declined to reveal whether it had approached Weir. The US company could make its mooted cash offer, believed to be for about 300p a share, without obtaining shareholder approval.

Analysts are not ruling out the possibility of a bidding competition. One said Weir was an attractive target for a US engineer at a time of consolidation in the world pump market. Pumps account for just under half of group sales, and the Americas represent its main market.

Weir is expected to respond to Flowserve's approach within a few days, once its board has had time to consider the approach. *Analysts say the indicative* offer compares unfavourably with estimates of Weir's break-up value.

Weir is known to be seeking to expand itself and has spent about £300m on 20 acquisitions in the past four years. The group has made much of its Scottish heritage, particularly under former chairman Lord Weir.

Wolves wins bitter takeover battle

By David Blackwell

Wolverhampton & Dudley Breweries yesterday won a conclusive victory in its £285m ($467m) battle for control of rival regional brewer Marston Thompson & Evershed. Its bid was supported by investors with 73.45 per cent of the shares.

"At the end of the day cash won out in an unattractive sector – that was the driving factor," said one institutional shareholder.

David Thompson, managing director of Wolves, described the vote as "an overwhelming endorsement of our strategy. As the largest regional brewer we can create a new force, with a lower cost base and greater critical mass."

Marston conceded defeat, cancelling today's extraordinary meeting called to endorse its so-called Pacman counter-bid for Wolves. "It was a hard fight, and they got a good result," said Mike Thompson, Marston's finance director.

Wolves will pay 230p cash and 0.175 new shares for each Marston share. Wolves' shares closed up 11½p yesterday 469p, valuing each Marston share at 312p.

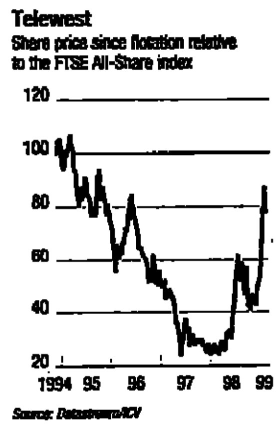
RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Belton (Intl)	6 mths to Oct 31	0.155	(0.017)	0.231L	(0.436L)	0.39L	(0.74L)	-	-	-	-	-
Cammell Laird	6 mths to Oct 31	41.8	(10.5)	4.7	(1.33)	15.6†	(5.2)	2	Mar 8	1.4	-	4.4
Durlacher Φ	6 mths to Dec 31	5.28	(2.47)	0.531	(0.15)	11.58†#	(3.51#)	-	-	-	-	-
Fitness First Φ	Yr to Oct 31	14.1	(5.69)	2.75	(1.33)	8.04†	(4.36)	-	-	-	-	-
ICI	Yr to Dec 31	9,286	(11,062)	293♠	(518♥)	26.7	(35.7)	19.5	Apr 19	19.5	32	32
Nightfreight	Yr to Nov 30	87.3	(88.2)	3.5	(3.02)	4.71	(4.16)	1.5	Apr 13	1.3	2.1	1.8
Quadrant	6 mths to Nov 30	9	(15.2)	0.021	(0.323L)	0.3	(6.2L)	nil	-	nil	-	nil

Earnings shown basic except #Fully diluted. Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. ΦAim stock. ♠After exceptional charge. ♥After exceptional credit.

COMMENT

Telewest



The bears dogging Telewest for most of its quoted life are now on the endangered list. This is not surprising given the way the company has redefined itself as a cross between an internet and high growth telecommunications company. Although Telewest has yet to make a pre-tax profit, it trades on 53 times earnings before depreciation, interest and tax. On most criteria, this looks pricy. But next to Energis's 100 times or Colt's 670 times, it is a snip. Telewest says it is worth every penny for two reasons. First, more high margin telephone customers are signing up as it finally conquers the service quality problems that have long bobbled the cable industry. Second, it believes the shift to digital television will at last give it an advantage over satellite broadcasting. This may all be true but investors would do well to treat the stock with caution. British Telecommunications is already preparing its fightback. And British Sky Broadcasting and OnDigital are already in the market with their digital TV offerings.

RAC

The Royal Automobile Club has moved nimbly to appease the disappointment of its gin and tonic swilling members. No sooner has the Monopolies and Mergers Commission blocked the £450m sale of the motoring services business than it has another cash-raising wheeze on the go: flotation.

On the surface, this is unlikely to raise the £35,000 each member would have received from the sale. Taking forecast operating profits of £17m, taxing them and applying a multiple of 15, the business could be worth £180m. Add back the RAC's £150m investment portfolio and the total reaches £330m. This would value each member's stake at £27,000 – a fifth less than the windfall on sale.

Even this would be realisable only if most members hung on to their shares at flotation. If they headed for the exit, the value would fall. It would be much better then to sell the business to a venture capitalist, which could use it to build a broad-based branded service business. Cinven and PPM Ventures are said to be on the prowl. Neither could achieve the £6.5m annual cost savings RAC's old suitor, Cendant, would have wrung from the deal. But that should only lop £50m off the price the US company offered. Members should expect £400m and not a penny less.

Telewest settles on net software

By John Gapper

Telewest Communications confirmed yesterday that it had fallen in line with other cable groups by choosing internet software for the autumn launch of its digital television service.

Telewest has ordered 100,000 digital set-top boxes *from Pace Micro Technology* and confirmed interactive elements would be run on DTV Navigator software supplied by NCI of the US.

The announcement means that the three largest cable groups, Telewest, Cable & Wireless Communications and NTL, have all opted for boxes using internet software rather than the television standard Open TV used by British Sky Broadcasting.

Tony Illsley, Telewest's chief executive, said he hoped to provide high-speed internet services similar to those supplied in the US by companies such as At Home Networks and Roadrunner following the digital television launch in the fourth *quarter*.

The company also announced a refinancing of debt following acquisitions of General Cable and Birmingham Cable. It issued £300m ($492m) of debt convertible into equity at 330p a share in order to reduce its £1.1bn of bank lending to £800m.

The shares fell ¼p to 249p.

ENVIRONMENT POWER GENERATION

Changing the grid references

We face huge changes in the way power is generated and used, Walt Patterson tells **Caspar Henderson**

Turning a light on seems like the simplest thing in the world – so simple that few of us ever stop to think about what lies behind it.

Walt Patterson wants to change that. Electrical power generation, he says, is undergoing enormous changes that will affect the quality of life, the environment and the relative power of everyone on the planet.

Mr Patterson, a senior research fellow at the Royal Institute of International Affairs (RIIA) in the UK, made his name in the 1970s with a book, *Nuclear Power*, that sought to *demolish the rationale* for nuclear power.

Two decades later, he still takes electricity very seriously.

"Change in the next few years is going to be an extremely scary business. There will be a whole lot of problems in the near future and no obvious way to get around them," he says.

Nevertheless, the beginnings of a road map for a rapidly changing power landscape may be found in his new book*, *Transforming Electricity*. This reviews the history of electrical power generation, weighs various options and asks whether some need to be considered any further.

According to Mr Patterson, electrical generation systems in industrialised and developing countries have had one significant detail in common.

Those who planned and operated the systems were insulated from the risks of failure – of ill-advised investment, underperforming technology, overpriced fuel contracts or system breakdowns. Captive customers bore the risk.

Now a combination of more liberal regulatory regimes and new technologies is sweeping this away. In future electricity companies will be allowed to lose *money and even go bankrupt*. The good news, he says, is that it will become "economically and environmentally attractive to get things right".

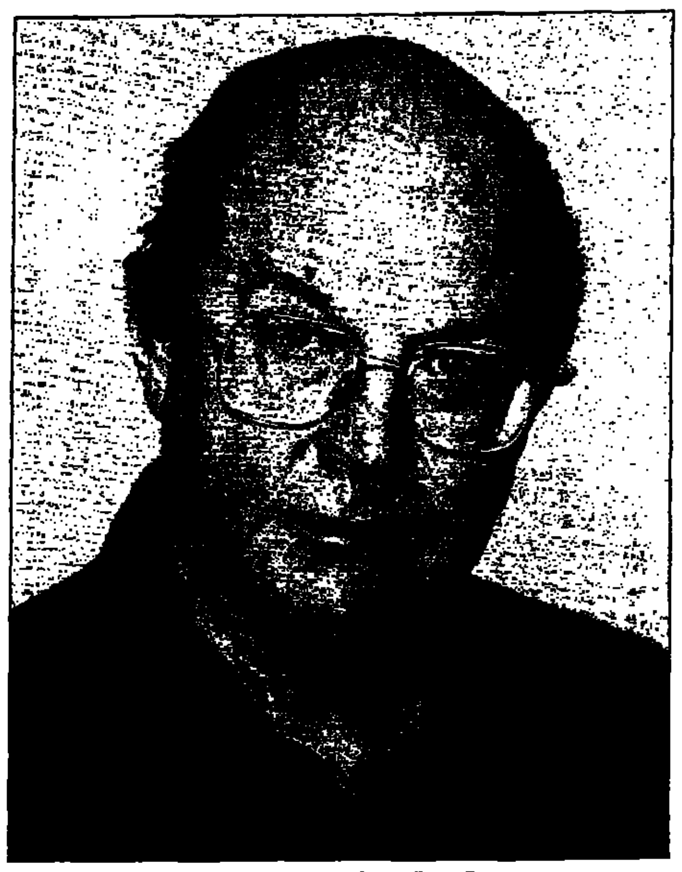
Technological advances – such as ever smaller and more efficient combined-cycle turbines and, soon, fuel cells – will play a crucial role. Until the 1980s the prevailing wisdom was "the bigger the better" when it came to power stations.

"The assumption was questionable then, but it is now comprehensively discredited," says Mr Patterson. Smaller stations are easier to site, can be built and brought into service more rapidly and earn a swifter return on investment. They make a responsive and truly competitive market possible, where customers' needs are everything.

But the pace and nature of change will be uneven, he says. In most developing countries, lumbered with electricity *systems that cannot satisfy their* citizens, many governments are still striving to emulate arrangements long established in rich industrial countries, where electricity supply was seen as a government responsibility. But such arrangements are unsustainable, he says, and their governments are shedding this responsibility as fast as possible.

'Change in the next few years is going to be extremely scary'

Meanwhile, new technologies make it increasingly attractive for big commercial electricity consumers to move away from large grid supplies to decentralised generating systems, says Mr Patterson. The steady base load such customers provided to a massive networked grid will diminish and demand will become increasingly unstable.



Patterson: the idea that big is better has been discredited

As a result, power supply interruptions will become more common, believes Mr Patterson. The *poor and the less resourceful will* suffer more than the rich unless new thinking is adopted soon.

"The Dutch have been the best at getting to grips with the changes," says Mr Patterson. They already have a very high proportion of co-generation. They have done this through extensive consultation with users, local authorities, generators and international partners.

By contrast the British government is trying to face two ways at once, he believes: "It is confused and it doesn't have a long-term view."

Power is moving in two directions, both up to the supranational level and into the hands of multinationals, and down to local agencies. The main options open to a government are taxation and reform of its own power procurement and management strategy. "Government will end up holding the ring. It must reconsider which levers are most appropriate, and how it is going to use them."

One certainty is that demand for electricity will increase massively, at least in the medium term. Even after the economic reverses of 1998, for example, it is reckoned that Asia will need more than 1,000 GigaWatts of new generating capacity by 2020, or more than a third of today's worldwide generating capacity.

Mr Patterson is, of course, not alone in thinking that adopting traditional technologies such as coal-fired power stations to meet this demand will cause grave problems. He believes the best interim solution will include moving much energy transmission from electrical wires to pipes containing natural gas and using gas for power generation.

Beyond the interim, he believes, renewables and increasingly smarter "configurations" – planning, design and location of power stations – offer almost endless ways to reduce the cost of electricity, the impact of its production, and the amount of electricity needed towell below most experts' forecasts.

But getting there will be hard. "As yet we simply do not know whether innovative configurations, decentralised and interactive, are ever achievable, technically, economically and politically.

"Nor do we know whether, if achieved, they will be sustainable," he says.

**Transforming Electricity, published in the UK by Earthscan and the RIIA, is distributed in North America by the Brookings Institution.*

MANAGEMENT HUMAN RESOURCES

The search for staff who will go far

Companies have a blind spot about developing talent across the globe, finds **Alison Maitland**

Recruiting 1,000 people a month is no easy task in the fast-growing field of management consultancy, even when you are one of the giants.

At PwC, the world's largest professional services firm, the job of supervising this intake falls to Charlie Keeling, global head of human resources for the management consulting practice.

"The client market is tough enough, but the people market is very difficult," he says. Big changes in staffing policies are afoot, driven by a 40 per cent growth rate in PwC's consulting business and the increasing number of cross-border projects.

The merged firm inherited "many different starting points in the way human resources are managed". It needs a consistent approach to recruitment, induction, appraisal and internal job moves across the globe, while taking account of wide variations in labour laws and practices.

With staff turnover running at 15 to 20 per cent, finding ways to hold on to people is also essential. As management consultants, PwC clearly has to practise what it preaches. The profession is usually associated with high-flyers and frequent travel. Now the firm intends to offer "multiple career paths" to those who prefer to work near home, for example, can do so.

The challenges facing multinationals like PwC are the focus of an article by John Quelch, dean of London Business School, and Helen Bloom, an international consultant, in the latest edition of Strategy & Business, the journal of US management consultants Booz-Allen & Hamilton.*

Most companies make a good job of globalising the supply chains for all their essential raw materials except human resources, say the authors. "Players in global markets can no longer afford this blind spot."

Part of the problem is that human resources directors and managers often lack extensive overseas experience and business knowledge, they say. There may also be a lack of information about the brightest staff emerging in overseas subsidiaries.

"The consequent lack of worldwise, multicultural managerial talent is now biting into companies' bottom lines through high staff turnover, high training costs, stagnant market shares, failed joint ventures and mergers."

Drawing on the experience of Unilever and International Business Machines in recruiting, training and retaining employees around the world, the authors say the first step is to end favouritism towards nationals of the country where the company is based.

This means having more than token representation of other

The first step is to end favouritism for nationals of the country where the company is based

nationalities on the board, equalising pay, benefits and bonuses for expatriates and local managers, and putting as much effort into recruiting overseas as in the home market.

The pros and cons of expatriates versus locals have been much debated. "Cultural sensitivity and cumulative skills are what count. And these come with an individual, not a nationality." Unilever's prefers to have its foreign operations run by a local executive, supported by a multinational mix of senior managers.

The next step is to identify the posts responsible for the activities considered essential to successful global business – posts described by the authors as the company "lifeline". Define what skills, both technical and people-oriented, are needed in each role.

Unilever circulates profiles of the skills required for most of its posts, which managers adapt to meet local requirements. IBM "skill teams" update role descriptions every six months so that senior managers know which skills are in demand and which are in good supply.

To help with the tricky business of succession, the authors suggest that managers in lifeline jobs should have to nominate up to three candidates who could take over from them next week, in three months, or within a year.

Both Unilever and IBM operate international personnel databases that provide a choice of internal candidates for any job within hours.

The authors say such databases should include middle managers, so that rising stars can be identified.

Another recommendation is to rethink the bald categorisation of managers into "movable" and "non-movable". The authors have devised a mobility pyramid. At the top are the "glopat" managers – those who travel frequently on short or medium-term assignments. Next come those prepared to move around the world, but only on medium-term assignments, then managers happy to travel regionally. Further down are those who want to be based at home but who will take part in cross-border projects. At the bottom are specialists and general managers *rooted* to their home bases.

Managers can move up and down the pyramid. "A mature multinational food processing company with decentralised operations might find a flat pyramid adequate, whereas a multinational company in a fast-moving, high-technology business might need a steeper pyramid with proportionately more 'glopats'."

"Glopats" are in short supply. So, in new markets it can be useful to pair an outside executive who has good knowledge of headquarters with someone familiar with local conditions.

Unilever also emphasises development of its good people as well as its best.

The group realises "that it needs to back up its high-flyers at every stage and location with a strong bench of crisis-proof, experienced supporters who also understand how to move with the markets."

**Strategy & Business, First Quarter 1999, Issue 14*

LEGAL NOTICES

IN THE MATTER OF VMS VENTURE MANAGEMENT SERVICES LIMITED
- and -
IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 5th day of March 1999 to send in *their full* names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of PricewaterhouseCoopers, Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 5th day of February 1999
Dinos N Papadopoulos
PricewaterhouseCoopers
Liquidator

No. 007341 of 1998
In The High Court of Justice
Chancery Division Companies Court
In The Matter of
GOVETT STRATEGIC INVESTMENT TRUST PLC
and in The Matter of The Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27 January 1999 confirming the reduction of the capital of the above-named company from £12,445,000 to £11,500,000 and the Minute approved by the Court showing with respect to the capital of the said company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 28 January 1999.
Dated the 5th day of February 1999
LINKLATERS & PAINES (ZM)
One Silk Street, London EC2Y 8HQ,
Solicitors for the above-named Company

No. 007443 of 1998
In The High Court of Justice
Chancery Division Companies Court
In The Matter of
GOVETT ASIAN RECOVERY TRUST PLC
and In The Matter of The Companies Act 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 27th January 1999 confirming the cancellation of the share premium account of the above-named company was registered by the Registrar of Companies on 28th January 1999.
Dated the 28th day of January 1999
LINKLATERS & PAINES (REP)
One Silk Street, London EC2Y 8HQ,
Solicitors for the above-named Company

NOTICE TO CREDITORS
GEP MOTOR ENGINEERS LIMITED
Company Number 01716422

NOTICE IS HEREBY GIVEN THAT: On Monday 1st of February 1999 a Special Resolution was passed by way of a written resolution authorising the payment of £60,000 out of the capital of the Company in respect of the purchase by the Company of 23,200 shares of £1 each from Carole Denise Downing (1) George Edwin Parker (2) Audrey Denise Parker (3) Julie Ann Readyhough (4). The amount of the permissible capital payment was £60,000.

The Statutory Declaration and Auditors Report are available for inspection at 20 Manchester Road, Kearsley, Bolton, BL4 8NZ, the registered office of the Company.

Any creditor of the Company may apply to the High Court pursuant to Section 176 Companies Act 1985 within five weeks immediately following the date of the aforementioned Special Resolution 1st February 1999 for an order prohibiting payment.

DATED: 5th February 1999

Fieldings Porter as Agents for and on behalf of the Company

IN THE MATTER OF FLODIA LIMITED
- and -
IN THE MATTER OF THE CYPRUS COMPANIES LAW CAP 113

NOTICE IS HEREBY GIVEN that the creditors of the above-named company which is being voluntarily wound up are required on or before the 5th day of March 1999 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their solicitors (if any) to the undersigned Mr Dinos N Papadopoulos, FCA of PricewaterhouseCoopers, Julia House, 3 Th Dervis Street, PO Box 1612, CY-1591 Nicosia, Cyprus, the liquidator of the said company, and if so required by notice in writing from the said liquidator, to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 5th day of February 1999
Dinos N Papadopoulos
PricewaterhouseCoopers
Liquidator

CONTRACTS & TENDERS

CORRECTION NOTICE

The Minister for the State Treasury
of
The Republic of Poland

hereby introduces a correction to the invitation to Tender published February 4, 1999 for the acquisition of the share capital of Bank Zachodni S.A. with its seat in Wroclaw in such a way that the dates in which the forms of Confidentiality Undertakings and the Information Memorandum are available have been changed to "from Monday, February 8 to Tuesday, February 16, 1999, excluding Saturdays and Sundays".

PUBLIC NOTICE

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SECTION 7(7) OF THE TELECOMMUNICATIONS ACT 1984

The Secretary of State hereby *gives notice as follows.*

1. He intends to revoke, later in the year, the Class Licence to run Telecommunications Systems for the Provision of Satellite Telecommunication Services (issued 2 August 1991), the Class Licence for the Running of Telecommunication Systems by Broadcasters to Receive Messages from Earth Orbiting Apparatus (issued 15 January 1991), the Class Licence to Run Sound Broadcasting Systems (issued 31 December 1990), the Class Licence to Run Radio Transmission Systems for the Purposes of Controlling and Monitoring Television and Cable Relay Systems (issued 12 December 1991) and the Class Licence to Run *Community Television Relay Systems (issued 31 December 1990)* which were granted by the Secretary of State under section 7 of the Telecommunications Act and to issue new licences. The licences will be for a period of 25 years subject to earlier revocation in circumstances specified in the licences.

2. Various amendments have been made to the licences to bring the conditions and definitions into line with the requirements of the EC Licensing Directive (97/13EC), and for other reasons. The draft licences have been examined to ensure the conditions are consistent with those set out in the Annex to the EC Licensing Directive and that each condition satisfies the EC Licensing Directive's requirements to be transparent, non-discriminatory, proportionate and objective. New conditions have been included in the licences on Fair Trading and Access Control services. Various other minor or consequential amendments will be made to the licences to update and standardise the conditions and definitions.

3. Representations or objections may be made in respect of the proposed new licences. They should be made in writing by 5 March 1999 and addressed to the undersigned at the Department of Trade and Industry, Communications & Information Industries Directorate, Room 2.79, *151 Buckingham Palace Road, London SW1W 9SS. Copies of the* proposed licences can be obtained free of charge by writing to the Department or by calling 0171 215 1746.

Simon Moseley
Department of Trade and Industry

5 February 1999

مكتبة الأصول

EURO PRICES

EQUITIES

Stocks unmoved amid rate speculation

EUROPEAN OVERVIEW

By Vincent Boland

European stock markets ended broadly unchanged yesterday as the focus turned to interest rates.

Bourses received no boost from Wall Street, which was down slightly as speculation grew that US interest rates might have to rise after more evidence of the strength of consumer spending.

The euro also sagged against the US dollar as the market adjusted the currency to reflect a distinctly gloomy outlook for the European economy this year.

The European Central Bank was expected not to alter its stance on interest rates, although the Bank of England surprised with a cut of 50 basis points.

Stocks were largely unmoved and eventually drifted sideways after a half-hearted rally ran out of steam.

The FTSE Eurotop 300 index of leading shares ended 1.48 higher at 1,210.65 while the FTSE Eurotop 100 index rose 2.05 to 2,770.85. The FTSE Ebloc 100 index of euro-zone shares fell 0.45 to 1,011.25.

Oil stocks were a notable exception to the general drift and the sector rose 2.9 per cent, recouping some of the ground lost in recent weeks. *Elf Aquitaine rose €2.20 to €100, BP Amoco 50 cents to €12.93, and Royal Dutch/Shell €1.40 to 37.85.*

Elsewhere, company-specific developments helped selected stocks to post good gains. BMW rose €40 to €660 as investors took the view that a possible boardroom reshuffle at a meeting today would at last enable it to get to grips with its troubled Rover subsidiary. Volkswagen rose €1.40 to €67.50 *while Fiat was up 10 cents at €2.88.*

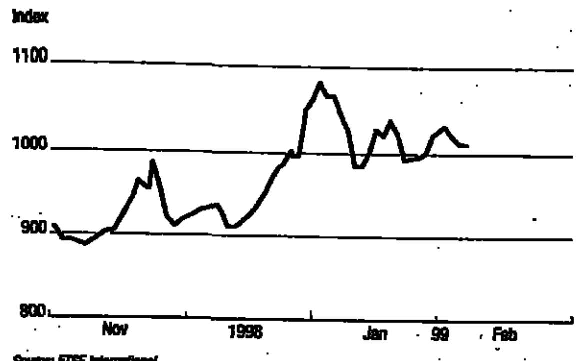
Deutsche Telekom was another to buck the trend, rising €2 to €39.60 ahead of a crucial regulatory ruling on Monday. Telecom Italia rose 30 cents to €8.64 as the company remained the subject of takeover speculation.

Information technology stocks gained 2.9 per cent, boosted by a sharp rise in Nokia – the shares were €5.80 higher at €121.80. SAP also continued to recover from recent lows, adding another €16 to €306.

In a weaker banking sector, Allied Irish Banks fell 70 cents to €16.68 as merger speculation faded amid scepticism from London-based analysts. CCF was a rare exception, up €3.50 to €82.

FTSE Ebloc 100

Index



Source: FTSE International

THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.980	+0.010	96.990	96.940	75631	95252
Jun	97.070	97.075	-0.005	97.090	97.040	55411	94356
Sep	97.125	97.115	-0.010	97.135	97.085	42089	58519
Dec	96.910	96.885	-0.010	96.920	96.850	13490	85654

THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.970	96.980	+0.010	96.980	96.940	7461	162352
Jun	97.070	97.075	-0.005	97.080	97.045	4620	133749
Sep	97.130	97.115	-0.010	97.130	97.090	2838	124646
Dec	96.885	96.885	-0.040	96.900	96.880	2390	100855

THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
96875	0.110	0.120	-	-	0.005	0.015	-	-
97000	0.025	0.050	0.130	0.155	0.045	0.070	0.055	0.080
97125	0.010	0.020	-	-	0.155	0.185	-	-
97250	0	0.010	0.035	0.055	0.270	0.280	0.210	0.230

Est. vol. total, Calls 19352 Puts 352. Previous day's open int., Calls 349795 Puts 175645

FTSE EUROTOP 100 INDEX FUTURES (LIFFE) €20 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	2815.0	2774.0	-8.0	2815.0	2774.0	144	6069
Jun	-	2776.0	-8.0	-	-	0	0

EURO STYLE FTSE EUROTOP 100 INDEX OPTION (AEX) €10 per index point

	2600 C	2600 P	2650 C	2650 P	2700 C	2700 P	2750 C	2750 P	2800 C	2800 P	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P
Feb	[illegible]															
Mar	[illegible]															

Est. vol total ... Prev day's open interest ... Premiums shown are based on settlement prices.

OTHER INDICES

	Feb 4 €	Feb 3 €	Feb 2 €	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DJ Stoxx 50	3421.42	3418.82	3465.47	3870.82	2433.07	3870.82	2433.07
DJ Euro Stx 50	3482.08	3488.13	3541.43	3865.38	2419.23	3865.38	2419.23
MSCI Europe	1205.65	1212.34	1174.98	1315.55	908.59	1315.55	576.78

Source: Datastream/FT Information. *Subject to revision next day. pp unavailable.

FTSE Actuaries Share Indices — European series

Produced in conjunction with the Faculty and Institute of Actuaries

Feb 04 National & Regional Markets	Euro Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Euro) €
FTSE Eurotop 300	1210.65	+0.12	+1.48	2.24	0.54	1247.14
FTSE Eurotop 100	2770.85	+0.07	+2.05	2.29	1.81	993.89
FTSE Ebloc 100	1011.25	-0.04	-0.45	2.04	0.39	1026.89
FTSE EuroMid	1190.55	+0.13	+1.52	2.82	1.12	1234.80
FTSE EuroMid Ebloc	1197.01	+0.16	+1.90	2.35	1.31	1223.65
FTSE EuroMid Ex UK	1236.26	+0.07	+0.87	2.20	0.90	1260.07
FTSE Eurotop 300 Regions						
Eurobloc	1265.46	-0.08	-1.05	1.99	0.69	1293.25
UK	1128.07	+0.50	+5.61	2.70	0.54	1185.00
Europe Ex-Eurobloc	1166.35	+0.34	+3.98	2.51	0.38	1208.46
Europe Ex-UK	1258.11	-0.07	-0.83	2.01	0.54	1282.20
FTSE Eurotop Industry Sectors						
RESOURCES	835.49	+2.77	+22.50	3.46	0.94	874.67
Mining	761.73	-0.05	-0.42	4.82	0.00	777.82
Oil & Gas	807.09	+2.88	+22.60	3.41	0.94	827.60
BASIC INDUSTRIES	1064.99	-0.66	-7.06	2.73	0.86	1088.56
Chemicals	824.94	-1.07	-8.90	2.72	0.65	840.18
Construction & Bld Matls	948.56	-0.22	-2.10	2.46	1.13	957.96
Forestry & Paper	884.44	+2.09	+18.09	3.57	0.00	924.87
GENERAL INDUSTRIALS	1125.22	-0.52	-5.89	2.38	0.55	1149.72
Aerospace & Defence	846.62	+0.60	+5.01	1.96	0.00	858.31
Diversified Industrials	989.20	-1.26	-12.61	2.03	0.00	1011.83
Electronic & Elect Equip	997.33	+0.67	+6.67	1.86	0.18	1002.95
Engineering & Machinery	1011.14	-1.12	-11.46	3.59	1.65	1026.83
CYCLICAL CONS GOODS	1309.61	+0.27	+3.48	2.52	0.00	1345.64
Automobiles	976.03	+0.49	+4.72	2.37	0.00	985.09
Household Goods & Texts	1252.76	-0.95	-11.99	3.32	0.00	1263.46
NON-CYC CONS GOODS	1222.49	+0.28	+3.37	1.49	0.05	1256.18
Beverages	909.15	-0.18	-1.66	2.98	0.00	928.78
Food Producers & Process	899.78	-0.80	-7.27	1.72	0.00	910.36
Health	869.87	+0.90	+7.76	6.73	0.00	882.88
Packaging	760.03	-0.25	-1.88	1.19	0.00	760.98
Personal Care & Hse Prods	1132.08	+1.65	+18.35	0.86	0.00	1141.74
Pharmaceuticals	1125.29	+0.57	+6.33	1.15	0.00	1131.40
Tobacco	1459.95	+0.38	+5.46	2.73	1.42	1489.19
CYCLICAL SERVICES	1294.15	+0.31	+4.02	2.38	0.75	1332.83
Distributors	678.30	-3.12	-21.86	4.35	0.00	685.92
General Retailers	1070.53	-0.20	-2.15	2.98	1.06	1093.73
Leisure Entertmt & Hotels	864.88	+0.99	+8.45	2.36	6.02	882.67
Media & Photography	1164.53	+0.61	+7.05	2.00	0.00	1176.96
Rests, Pubs & Breweries	849.16	-0.10	-0.85	3.30	2.84	876.78
Support Services	1120.71	+1.70	+18.78	1.32	0.00	1132.60
Transport	972.75	-0.76	-7.49	2.58	0.51	991.21
NON-CYCLICAL SERVS	1333.07	+0.29	+3.87	1.50	0.44	1372.55
Food & Drug Retailers	1056.86	-0.09	-0.98	1.96	0.51	1073.52
Telecommunications Servs	1311.42	+0.38	+4.96	1.41	0.39	1331.36
UTILITIES	1463.52	-1.54	-22.93	3.04	3.35	1555.64
Electricity	1130.82	-1.76	-20.27	3.12	3.42	1170.54
Gas Distribution	1162.51	-2.22	-26.43	1.64	1.00	1281.01
Water	931.67	+1.60	+14.67	5.43	0.00	975.72
FINANCIALS	1272.22	-0.62	-7.94	2.60	0.23	1307.19
Banks	868.87	-0.68	-5.94	3.41	0.28	881.51
Insurance	1007.49	-0.50	-5.10	1.39	0.00	1019.65
Life Assurance	1180.80	-1.12	-13.35	1.67	0.00	1196.13
Investment Companies	1000.23	+1.08	+10.70	1.78	0.00	1024.23
Real Estate	678.47	+0.79	+5.30	3.59	0.00	696.10
Speciality & Other Fin	894.85	+0.03	+0.27	2.55	0.00	899.63
INFORMATION TECH	938.95	+2.43	+22.24	0.66	0.00	941.19
Information Tech Hardware	991.54	+2.78	+26.83	0.73	0.00	993.90
Software & Computer Serv	819.25	+1.43	+11.55	0.46	0.00	821.20

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FTSE EUROTOP 300

Name	Price (Euro)	Chge + or -	Mkt cap Euro(bn)	Vol (m)	Yld
AEROSPACE & DEFENCE					
[illegible]					
AUTOMOBILES					
[illegible]					
BANKS					
[illegible]					
BEVERAGES					
[illegible]					
CHEMICALS					
[illegible]					
CONSTRUCTION & BUILDING					
[illegible]					
DISTRIBUTORS					
[illegible]					
DIVERSIFIED INDUSTRIALS					
[illegible]					
ELECTRICITY					
[illegible]					
ELECTRONIC & ELECTRICAL EQUIPT					
[illegible]					
ENGINEERING & MACHINERY					
[illegible]					
FOOD & DRUG RETAILERS					
[illegible]					
FOOD PRODUCERS & PROCESSORS					
[illegible]					
FORESTRY & PAPER					
[illegible]					
GAS DISTRIBUTION					
[illegible]					
GENERAL RETAILERS					
[illegible]					
HEALTH					
[illegible]					
HOUSEHOLD & TEXTILES					
Adidas Salom	73.70	+.7	3.3	0.1	1.1
Christian Di	112	-1.8	5.7	-	2.3
[illegible]					
IT HARDWARE					
[illegible]					
INSURANCE					
[illegible]					
INVESTMENT COMPANIES					
[illegible]					
LEISURE ENTERTAINMENT & HOTELS					
[illegible]					
LIFE ASSURANCE					
[illegible]					
MEDIA & PHOTOGRAPHY					
[illegible]					
MINING					
[illegible]					
OIL & GAS					
[illegible]					
PACKAGING					
[illegible]					
PERSONAL & HOUSEHOLD PRODUCTS					
[illegible]					
PHARMACEUTICALS					
[illegible]					
Sanofi	162	-3.9	17.5	0.2	0.7
Schering	121	-4.4	8.3	0.1	1.1
SmithKline	12.11	+.5	67.7	15.2	1.4
Synthelabo	210	-3.0	10.1	-	0.4
Zeneca	38.50	-	36.6	5.2	1.7
REAL ESTATE					
[illegible]					
RESTAURANTS PUBS & BREWERIES					
[illegible]					
SOFTWARE & COMPUTER SERVICES					
[illegible]					
SPECIALITY & OTHER FINANCE					
[illegible]					
SUPPORT SERVICES					
[illegible]					
TELECOMMUNICATION SERVICES					
[illegible]					
TOBACCO					
[illegible]					
TRANSPORT					
[illegible]					
WATER					
[illegible]					

Notes: Price data and market capitalisation supplied by FTSE International. [illegible]

CURRENCIES & MONEY

EURO SPOT FORWARD AGAINST THE EURO

Feb 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA
Europe												
Czech Rep.	(Koruna)	37.2762	+0.0607	494 - 030	37.3550	37.0100	37.4192	-4.6	37.7433	-5.0	39.1660	-5.1
Denmark	(DKr)	7.4387	-0.0001	319 - 415	7.4432	7.4306	7.4393	-0.4	7.4450	-0.4	7.4686	-0.4
Greece	(Dr)	321.494	+0.5270	273 - 715	321.750	319.694	323.1719	-6.3	326.6739	-6.7	341.4545	-6.2
Hungary	(Forint)	248.877	-0.2130	754 - 999	249.570	248.050	251.4910	-12.6	256.7716	-12.7	278.6467	-12.0
Norway	(NKr)	8.6476	+0.0070	402 - 550	8.6650	8.6334	8.6781	-4.2	8.7349	-4.0	8.9011	-2.9
Poland	(Zloty)	4.1655	-0.0450	615 - 694	4.2000	4.0866	-	-	-	-	-	-
Romania	(Leu)	13703.24	+14.2900	549 - 100	-	-	-	-	-	-	-	-
Russia	(Rouble)	26.2455	-0.1302	858 - 127	26.3167	26.1632	-	-	-	-	-	-
Slovakia	(Koruna)	42.3936	-0.0589	488 - 504	43.0700	42.3345	-	-	-	-	-	-
Sweden	(SKr)	8.8855	-0.0376	800 - 910	8.9300	8.8650	8.8869	-0.2	8.8891	-0.2	8.9060	-0.2
Switzerland	(SFr)	1.6006	+0.0004	996 - 016	1.6072	1.5983	1.5982	1.8	1.5932	1.8	1.5786	1.5
UK	(£)	0.6893	-0.0034	889 - 896	0.6915	0.6874	0.6906	-2.3	0.6933	-2.3	0.7044	-2.2
Americas												
Argentina	(Peso)	1.1288	-0.0058	285 - 291	1.1320	1.1249	-	-	-	-	-	-
Brazil	(R$)	2.0322	+0.0128	204 - 440	2.0832	2.0139	-	-	-	-	-	-
Canada	(C$)	1.6884	-0.0277	874 - 894	1.7088	1.6833	1.6909	-1.8	1.6964	-1.9	1.7210	-1.9
Mexico	(New Peso)	11.4368	-0.0363	281 - 455	11.4601	11.3770	11.7009	-27.7	12.2471	-28.3	14.4415	-26.3
USA	($)	1.1290	-0.0056	287 - 293	1.1322	1.1251	1.1305	-1.6	1.1343	-1.9	1.1526	-2.1
Pacific/Middle East/Africa												
Australia	(A$)	1.7516	-0.0156	502 - 530	1.7714	1.7403	1.7537	-1.4	1.7583	-1.5	1.7826	-1.8
Hong Kong	(HK$)	8.7496	-0.0432	480 - 512	8.7981	8.7232	8.7638	-2.1	8.8082	-2.7	9.1156	-4.2
India	(Rs)	47.9416	-0.2463	246 - 585	48.0668	47.7717	48.2211	-7.0	48.9585	-8.5	52.5145	-9.5
Indonesia	(Rupiah)	9850.54	+291.5200	147 - 961	9915.60	9550.00	10098.43	-30.2	10741.37	-36.2	13052.74	-32.6
Israel	(Shk)	4.6047	-0.0278	983 - 110	4.6307	4.5892	-	-	-	-	-	-
Japan	(Y)	126.598	-0.6800	606 - 787	128.900	126.500	126.4170	2.8	125.8258	2.7	123.3459	2.6
Malaysia	(M$)	4.2902	-0.0123	288 - 321	4.3021	4.2758	-	-	-	-	-	-
New Zealand	(NZ$)	2.0453	-0.0150	433 - 473	2.0612	2.0398	2.0460	-0.4	2.0494	-0.8	2.0802	-1.7
Philippines	(Peso)	43.5795	-0.05	985 - 604	43.8728	43.2601	43.9209	-9.4	44.6447	-9.8	48.0298	-10.2
Saudi Arabia	(SR)	4.2345	-0.0210	332 - 358	4.2464	4.2198	4.2455	-3.1	4.2743	-3.8	4.4029	-4.0
Singapore	(S$)	1.9052	-0.0077	041 - 063	1.9121	1.9001	1.9024	1.8	1.8999	1.1	1.9000	0.3
South Africa	(R)	6.8364	+0.0203	292 - 436	6.8441	6.7590	6.9044	-11.9	7.0502	-12.5	7.6532	-11.9
South Korea	(Won)	1321.49	-6.3300	990 - 309	1326.94	1317.94	-	-	-	-	-	-
Taiwan	(T$)	36.4329	-0.1750	667 - 990	36.5300	36.3010	36.5895	-5.2	36.8121	-4.2	37.7749	-3.7
Thailand	(Bt)	41.5190	-0.1832	797 - 582	41.5716	41.3699	41.6373	-3.4	41.9106	-3.8	43.5953	-5.0
UAE	(Dirham)	4.1468	-0.0205	456 - 480	4.3350	4.14540	4.1528	-1.7	4.1678	-2.0	4.2394	-2.2

Euro Locking Rates: Austrian Schilling 13.7603, Belgium/Luxembourg Franc 40.3399, Finnish Markka 5.94573, French Franc 6.55957, German Mark 1.95583, Irish Punt 0.787564, Italian Lira 1936.27, Netherlands Guilder 2.20371, Portuguese Escudo 200.482, Spanish Peseta 166.386. Bid/offer spreads in the Euro Spot table show only the last three decimal places. Bid, offer, mid spot rates and forward rates are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the FT

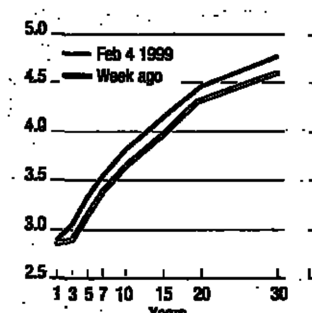
BONDS

INTEREST RATE SWAPS

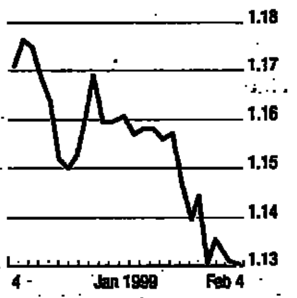
Feb 04	Euro-E Bid	Euro-E Ask	Euro-L Bid	Euro-L Ask	£ Stlg Bid	£ Stlg Ask	US $ Bid	US $ Ask	Yen Bid	Yen Ask
1 year	3.06	3.08	3.06	3.08	5.35	5.38	5.16	5.19	0.50	0.53
2 year	3.10	3.14	3.10	3.14	5.21	5.24	5.25	5.28	0.71	0.74
3 year	3.23	3.27	3.23	3.27	5.14	5.18	5.32	5.35	1.03	1.06
4 year	3.39	3.43	3.39	3.43	5.12	5.16	5.38	5.41	1.33	1.36
5 year	3.53	3.57	3.53	3.57	5.10	5.14	5.42	5.45	1.63	1.66
6 year	3.67	3.71	3.67	3.71	5.09	5.13	5.47	5.50	1.87	1.90
7 year	3.81	3.85	3.81	3.85	5.09	5.13	5.52	5.55	2.07	2.10
8 year	3.94	3.98	3.94	3.98	5.09	5.13	5.56	5.59	2.23	2.26
9 year	4.05	4.09	4.05	4.09	5.10	5.14	5.61	5.64	2.36	2.39
10 year	4.14	4.18	4.14	4.18	5.11	5.15	5.64	5.67	2.46	2.49
12 year	4.30	4.34	4.30	4.34	5.12	5.17	5.72	5.75	2.65	2.69
15 year	4.49	4.53	4.49	4.53	5.14	5.19	5.83	5.86	2.90	2.94
20 year	4.72	4.76	4.72	4.76	5.14	5.21	5.93	5.96	3.08	3.12
25 year	4.83	4.87	4.83	4.87	5.15	5.22	5.93	5.96	3.13	3.17
30 year	4.90	4.94	4.90	4.94	5.16	5.23	5.93	5.96	3.17	3.22

Bid and ask rates as of close of London business. US $ is quoted annual money actual/360 basis against 3 months Libor, £ and Yen quoted on a semi-annual actual/365 basis against 6 months Libor, Euro quoted on annual bond 30/360 basis against 6 month Euribor and Libor with the exception of the 1 year rate which is quoted against 3 months Euribor and Libor. Source: Intercapital Brokers Ltd.

Euro bond yield curve



Euro against the dollar



Source: Interactive Data/FT Information

EURO-ZONE BONDS

Feb 04	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
SOVEREIGNS								
UK	01/01	4.250	AAA	102.148	3.11	+0.03	-0.13	+0.14
Denmark	01/02	4.750	AA+	104.179	3.22	+0.04	-0.11	+0.16
Sweden	02/01	5.000	AA+	103.565	3.13	+0.03	-0.13	+0.16
Greece	11/08	6.750	BBB	115.357	4.37	+0.08	-0.12	+0.82
SUPRANATIONALS								
ADB	10/07	5.500	AAA	108.748	4.27	+0.08	+0.10	+0.62
EIB	04/08	5.000	AAA	107.506	4.01	+0.09	+0.09	+0.27
Eurofima	12/09	5.625	AAA	110.382	4.40	+0.08	+0.05	+0.58
World Bank	04/05	7.125	AAA	118.174	3.77	+0.07	+0.02	+0.32
UTILITIES								
EDF	10/03	3.750	n/a	101.328	3.44	+0.06	-0.06	+0.25
TEPCO	02/03	4.750	AA	103.628	3.77	+0.05	-0.03	+0.58
Quebec Hydro	03/08	5.375	A+	106.024	4.55	+0.09	-0.02	+0.81
Norsk Hydro	10/99	7.250	A	102.325	3.53	+0.02	-0.05	+0.58
FINANCIALS								
Bad Wurtt	02/10	5.375	AAA	108.953	4.33	+0.09	+0.05	+0.45
OKB	09/07	5.750	AAA	111.830	4.09	+0.09	+0.07	+0.44
Credit Local	04/08	5.250	AA+	106.876	4.33	+0.09	+0.13	+0.59
Abbey Natl	01/09	5.000	AA-	102.835	4.64	+0.10	+0.00	+0.82
INDUSTRIALS								
Unilever	10/01	5.125	AAA	104.398	3.37	+0.07	-0.02	+0.40
McDonalds	03/08	5.125	AA	106.159	4.29	+0.46	+0.36	+0.55
Philip Morris	06/08	5.625	A	105.965	4.82	+0.10	-0.04	+1.08
BAT Int Fin	07/06	5.375	A-	102.663	4.93	+0.07	-0.19	+1.38
PFANDBRIEFE								
Rhein Hypo	12/01	5.500	n/a	105.986	3.24	+0.01	-0.15	+0.27
Eurohypo AG	01/04	5.000	n/a	106.792	3.48	+0.02	-0.12	+0.15
Bayer Vereins	01/06	6.000	n/a	113.766	3.71	+0.01	-0.12	+0.16
Depfa	07/08	4.750	n/a	105.675	4.01	+0.01	-0.08	+0.27
HIGH YIELD								
Geberit	04/07	10.125	B+	108.879	8.31	+0.17	+0.01	+4.66
Colt Telecom	11/07	8.875	n/a	104.155	8.20	-0.10	-0.18	+4.55
Impress Metal	05/07	9.875	B	104.719	9.05	+0.14	+1.25	+5.40
Remy Cointreau	07/05	10.000	B+	94.500	11.22	-0.34	+0.35	+7.77

Standard & Poor's ratings. Source: Interactive Data/FT Information.

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CONTRACTS & TENDERS

INTERNATIONAL CAPITAL MARKETS

Prices dive on strength in US economy

BENCHMARK BONDS

By Arkady Ostrovsky in London and John Labate in New York

US and European government bond markets nose-dived yesterday as more evidence emerged of a strengthening US economy.

The yield on the benchmark 30-year US Treasury broke its falling trend and started to rise for the first time in two years.

The sell-off was sparked by reports of stronger than expected retail sales, while factory orders were reported to have jumped by 2.3 per cent in December, their biggest gain in 13 months.

Chain department stores across the US reported an average 8 per cent annual rise, surpassing economists' expectations of 6 per cent.

The latest figures on the US labour market also confirmed the strength of the economy. Initial unemployment claims fell to 292,000 during the last week in January.

Combined with earlier signs of the strength of the US economy, this fuelled fears that the Federal Reserve would change its policy and raise interest rates at its next meeting in March to prevent the economy from overheating.

By early afternoon the 30-year US Treasury was down $\frac{31}{32}$ to 99$\frac{1}{32}$, yielding 5.306 per cent. Among shorter-term issues the two-year note was down ⅛ to 99$\frac{25}{32}$, yielding 4.783 per cent, and the 10-year note was off $\frac{23}{32}$ to 98$\frac{23}{32}$, yielding 4.916 per cent.

Phyllis Reed at Barclays Capital said the yield on 30-year bond could now be heading towards 5.5 per cent.

"It looks like instead of slowing the US economy is accelerating," said Jeremy Hawkins at Bank of America. The fall in the US market has also been caused by increasing fears that Japanese investors, attracted by rising yields on domestic bonds, will repatriate funds from the US Treasuries into the JGBs.

The US bond market was not helped by the Treasury's plan to auction $35bn of notes and bills next week.

"Considering fears over repatriation and the level of economic activity, the Treasury could hardly have picked a worse time for the auction," said Mr Hawkins.

"The tone in global fixed-income markets has deteriorated markedly over the past two weeks," said Ian Douglas at Warburg.

US Treasuries dragged down European markets. The 10-year benchmark German bund future fell 0.65 to 116.10. European investors were also discouraged by the decision of the European Central Bank to leave interest rates unchanged at their current level of 3 per cent.

This was particularly disappointing after the decision by the Bank of England to cut interest rates by 50 basis points to 5.5 per cent and Denmark cutting its rates by 25 basis points to 3.5 per cent.

The UK move caught investors by surprise and led to a rally at the short end of the UK gilt yield curve, said Ms Reed. The June 1999 interest rate future rose by 16 ticks but 10-year gilts fell in line with other European markets. The 10-year March future dropped 0.80 to 118.63.

Moreover, observers said the elation of the markets at the short end quickly evaporated.

Investors decided that this could be the last rate cut until April, since the Bank of England was thought unlikely to cut rates again just before the budget speech by the chancellor of the exchequer next month.

The UK's Monetary Policy Committee said the latest inflation projections implied that a further reduction in interest rates was necessary to keep inflation on a path consistent with the target of 2.5 per cent.

The markets welcomed the news, but Neil Parker at the Royal Bank of Scotland said the move could be mistake.

"What seems bizarre is that in a month with fourth-quarter GDP data showing still strong services growth and surveys showing an improvement in confidence, the Bank of England has found the justification for this latest cut," he said.

CME to offer weather derivatives

By Edward Luce, Capital Markets Editor

The Chicago Mercantile Exchange plans to offer derivatives based on the weather to complement the growing over-the-counter market.

The move, which comes little more than a year after the OTC market first started offering weather derivatives, is the latest sign of the growing versatility of the derivatives market in general.

Brokers in New York say there have been up to 1,000 separate weather derivatives contracts over the last 12 months, mostly agreed by utility and insurance companies. The standard contract, on which the CME's futures and options will be based, is related to average temperature levels. These are known as heating degree days and cooling degree days.

Any temperature above 65 degrees Fahrenheit is known as a cooling degree day and the reverse for a day when the temperature is below 65 degrees. For example, a day where the average temperature was 67 degrees, would be defined by the market as two cooling degree days. This enables companies to hedge against unexpected movements in temperature.

A power company, for example, would draw up an OTC weather contract to hedge against an unusually mild winter where revenues would be expected to fall.

A housing association could well be on the other side of the contract to hedge against the possibility of an unusually cold winter where heating bills would soar.

Other types of contract, including ones based on average precipitation, water levels and snowfall, have emerged but are marginal in comparison with volumes on the standard temperature contracts.

The CME said it would launch a number of heating degree and cooling degree futures contracts once it had been given the green light by the Commodity Futures Trading Commission.

The futures would be available for selected cities, including Atlanta, Chicago, Cincinnati, Dallas, New York, Philadelphia and "other population centres with significant weather related risk". Data would be provided by the Earth Satellite Corporation, an information provider for agriculture and energy markets.

Brokers in the weather derivatives market say the product is also beginning to emerge in Europe, although its growth is constrained by the high cost of obtaining weather data in comparison with its low-cost availability in the US.

So far only Enron, the US power company, has tailored its own weather derivative in Europe. "We are working hard on a number of deals and we have seen strong interest in places like Scandinavia," said Kendall Johnson, at Tradition Financial Services, the brokerage.

Officials at CME say they expect demand for the new products to come from those who are already active in the OTC market. "The weather derivatives market is little more than year old yet its growth has been phenomenal," said Scott Gordon, chairman of the CME.

BAT launches biggest corporate deal in euros

NEW ISSUES

By Khozem Merchant

BAT, the international tobacco group, yesterday demonstrated the continuing strong demand for corporate paper by launching the largest single corporate bond since the launch of the euro last month.

Deutsche Telecom was the previous biggest issuer but its €2bn bond was an add-on, raised from an original DM2bn. BAT's 10-year €1.7bn was its debut issue in the new currency and came on a day of heavy issuance in the euro, reinforcing the currency's claims as the second reserve unit after the dollar.

Last month, the euro accounted for just under half of all funds raised by borrowers on the international capital markets, compared with 40 per cent for the dollar. The 11 euro-zone currencies' combined market share had never exceeded 35 per cent before January.

Bankers say US investors have not been as prominent as initially thought in buying euro paper, which is being mostly taken up by investors in core Europe.

The US inhibition is explained by the performance of US yields, which on 10-year Treasuries, say, are more than 100 basis points higher than on corresponding bunds.

At the same time, credit spreads in the US are much higher than in the euro-zone. One banker said: "US buyers effectively have to give up 150 basis points to come into the euro-zone and that is not worth their while."

BAT's bond comes two weeks after it announced an agreed £5.3bn takeover of Rothmans International, creating one of the world's biggest tobacco groups.

The issue represented a one-off draw-down on the company's €1.7bn medium-term notes programme. It had intended to issue a €1bn bond. The higher volume was twice subscribed, said Dresdner Kleinwort Benson, sole book-runner.

Bankers noted that of 129 accounts, four were from US investors, including one for the equivalent of $100m.

The strong demand for corporate paper, typified by the successful recent launches of bonds by Alcatel, the French telecoms equipment group, reflects investors' search for pick-up in a low yield environment.

Bankers says investors face three options: equities, which are regarded as overvalued; emerging markets, which are scaring investors; or corporate paper.

The BAT bond was priced to yield 125 basis points over the January 2009 bund.

GMAC, the finance arm of General Motors, the car manufacturer, chose its moment wisely to launch a €250m add-on to a €750m bond issued last month.

The offering was priced to yield 52 basis points over the relevant bund and tightened by one basis point in the after-market.

Italian investors were strong buyers of both the GMAC and BAT paper. Their search for yield is "simply taking them into corporate debt", said a banker.

This search for yield is forcing Italian and other investors down the curve, picking up lower-rated corporate credits.

Endesa, Spain's largest utility, launched a €500m bond, raised from €300m. It was a domestic issue but marketed to investors in the euro-zone, who bought more than 50 per cent. The bond was priced to yield 28 basis points over the relevant 10-year Spanish bond and 49 basis points over bunds.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
European Investment Bank	300	5.00	99.715	Mar 2002	0.1875	+30(4½Jan01)	Warburg Dillon Read
Deutsche Bank Finance	150	4.50	97.132R	Feb 2003	0.225R	+52(i)	Deutsche Bank
EUROS(e)							
BAT Intl Finance plc	1.7bn	4.875	98.606R	Feb 2009	0.41R	+125(Jan09)	Dresdner KB
GMAC	750	4.00	98.933R	Feb 2006	0.40R	+52(6%Jan06)	Deutsche/Merrill Lynch
Endesa(g)	500	4.20	99.68R	Feb 2009	0.325R	+28(Jul09)	Arg/BBV/Caja Madrid/CAI
ING Bank NV	500	4.625	99.53R	Feb 2009	0.375R	+93(3%Jan09)	ING Barings-BBL
Republic of Argentina(a)	350	(a1)	98.48R	Feb 2008	0.875R	+655(Jan08)	Morgan Stanley DW
Havas Advertising(b)§	230	1.00	100.00	Jan 2004	-	-	SG
Abbey Natl Trsy Serv‡	60	(c)	99.75r	Mar 2019	0.50r	-	Lehman Brothers
EBRD(d)	60	(d1)	98.625R	Feb 2014	0.625R	-	Carisbo/Chase/Iccrea
Argenta Nederland	50	4.35	100.00	Feb 2006	1.875	-	BCEE
STERLING							
Telewest Comms(f)§	300	5.25#	100.00	Feb 2007	2.50	-	Dresdner KB
GREEK DRACHMA							
World Bank	30bn	6.00	99.8625R	Feb 2002	0.1875R	-	RBC/Natl Bk of Greece
NEW ZEALAND DOLLARS							
Bayerische Landesbank	100	6.00	99.22R	Feb 2004	0.25R	-	Deutsche/TD Securities

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with DM, FFr and Fl issues from 26/2/01. a1) 15% in yrs 1-2, then 8%. b) Each €188 bond convertible into one share. Redemption price: €195.13. Callable from 1/1/02 subject to 115% hurdle at accreted value. c) 14¼% in yr 1, 6% in yr 2, 5% in yr 3, 4% in yrs 4-8, then 8% -12-mth Euribor. d) Redemption price: 135%. d1) 10% in yr 1, 5% in yr 2, 4% in yrs 3-5, then zero. e) Spread relates to German govt bonds unless stated. f) Conversion price: 330p. Callable from 19/2/03 at par. Greenshoe: £45m. g) Spread re Spanish govt bonds. i) Over interpolated yield. r) Suggested reoffer.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Feb 4	Red Date	Coupon	Bid Price	Bid Yield	Day chg yield	Wk chg yield	Month chg yld	Year chg yld
Australia	01/01	8.750	107.1770	4.80	−0.08	+0.08	+0.16	−0.39
	08/08	8.750	128.3822	5.20	−0.08	+0.17	+0.14	−0.71
Austria	07/00	5.875	103.8300	3.09	+0.04	+0.11	−0.11	−1.05
	01/08	5.000	107.5200	3.98	+0.06	+0.16	+0.05	−1.21
Belgium	01/00	4.000	100.9100	3.00	+0.03	+0.06	−0.09	−1.06
	03/08	5.750	113.0500	4.01	+0.08	+0.15	+0.04	−1.17
[illegible]								

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

BOND FUTURES AND OPTIONS

France

NOTIONAL EURO BOND FUTURES (MATIF) €100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	112.20	111.71	−0.68	112.37	111.65	51,225	85,565

LONG TERM EURO BOND OPTIONS (MATIF)

[illegible]

Germany · **Italy** · **Spain** · **UK** · **US** · **Japan** · **Euro**

[illegible]

US CORPORATE BONDS

Feb 3	Red date	Coupn	S & P Rating	Bid price	Bid yield	Day's chge yld	Mth's chge yld	Sprd v Govts
UTILITIES								
Pac Bell	07/02	7.25	AA−	105.8995	5.32	+0.01	+0.04	+5.32
NY Tel	08/25	7.00	A+	102.1591	6.82	−	+0.01	+1.57
CWE	05/08	8.00	BBB	114.8945	5.88	+0.02	−	+1.05
FINANCIALS								
[illegible]								

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

[illegible]

UK BONDS

FTSE Actuaries Government Securities — UK Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES & MONEY

Sterling firm as Bank cuts rates

MARKETS REPORT

By Florian Gimbel

Sterling did not lose its shine yesterday against the euro and the dollar, despite a bigger-than-expected interest cut by the Bank of England.

Markets were apparently unimpressed as the Bank lowered the key repo rate from 6 per cent to 5.5 per cent. Most analysts had expected a quarter percentage point cut.

The Bank's statement said the rate cut was based on "prospects for international activity and prices, domestic costs and consumer demand".

Although sterling initially slipped slightly to £0.69 against the euro on the news it quickly recovered to finish the day virtually unchanged at £0.689 versus the euro and at $1.638 against the dollar in London. One currency strategist, surprised at the pound's continued resilience, described it as "the iron currency".

Sterling interest rate future contracts, however, rose strongly as investors moved to price in steeper rate cuts than previously expected. A repo rate of 5 per cent is now priced in by September.

Unlike the UK, the European Central Bank left euro-zone interest rates unchanged at 3 per cent.

Wim Duisenberg, president of the ECB, said: "The general environment continues to suggest that there are no significant upward or downward pressures on prices in the short term... there are no clear signals yet of a stronger-than-expected weakening in output growth."

Data released yesterday showed improving economic sentiment in the euro-zone. But analysts said the statistics did not alter the prospects of member state economies slowing in the early part of this year.

■ Sterling's resilience in the face of a larger than expected interest rate cut was to most analysts a reflection of more reassuring UK economic fundamentals.

"The Bank is now seen as having applied the right policy medicine, as having done what the market wanted it to do. Why punish a currency for lower rates if fundamentals are in line with expectations," said Mr Bloom of HSBC.

He conceded that the economy was slowing down, but pointed out that markets were very much forward-looking. "Growth patterns and current account data are just as important as interest rate differentials," he said. But others thought optimism was misplaced.

"Recent economic data has been stronger than expected, but it was certainly not good. And the UK will have the lowest growth in Europe this year," said Nick Parsons, chief currency strategist at Paribas in London.

He added that the front end interest rate futures contracts were now implying interest rates of below 5 per cent, having priced in another 0.5 per cent rate cut. Most importantly, the market suggested that rates were to stay at low levels for another 18 months. On the end of the strip, the June 2001 contract suggested 5 per cent, with the March 2002 contract already implying a rate of 4.98 per cent.

■ The yen edged higher against the dollar yesterday, despite a sharp fall in Japanese government bond yields. The yield on the key 10-year JGB was at 2.17 per cent, down from Wednesday's peak of 2.44 per cent.

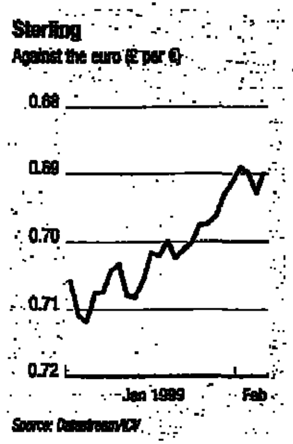
"Strategic institutional investors were active on both sides of the price, causing high volatility," said Mr Parsons.

The yen strengthened marginally from Y112.3 to Y112.2 versus the dollar in London.

Mr Parsons highlighted a rate of Y111.70 as being a crucial point to watch. "After this mark you will see a tussle between investors selling and the Bank of Japan buying. Technically, you are in free fall once you pass the Y111.7 level."

■ Commodity-based currencies, including the Australian, Canadian and New Zealand dollars, may benefit from a gradual change in global expectations, say strategists.

"Early birds are now moving into these currencies on the belief that global industrial production has bottomed out," said David Bloom, currency economist at HSBC.



Source: Datastream/ICV

■ POUND IN NEW YORK

Feb 4	—Latest—	— Prev. close —
£ spot	1.6375	1.6365
1 mth	1.6365	1.6344
3 mth	1.6355	1.6325
1 yr	1.6358	1.6310

■ OTHER CURRENCIES

Feb 4	£	$
Czech Rp	54.0474 - 54.1183	33.0020 - 33.0320
Hungary	360.933 - 361.229	220.390 - 220.490
Iran	4914.90 - 4913.10	3000.00 - 3000.00
Kuwait	0.4957 - 0.4961	0.3027 - 0.3028
Peru	5.5453 - 5.5538	3.3860 - 3.3900
Poland	6.0382 - 6.0486	3.6870 - 3.6920
Russia	37.9946 - 38.1724	23.2000 - 23.3000
U.A.E.	6.0151 - 6.0176	3.6729 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Feb 4	Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
[illegible]												

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Feb 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan Index
Europe													
Austria*	(Sch)	12.1881	+0.0802	848 - 913	12.2281	12.1536	12.1716	1.6	12.1317	1.9	11.939	2.0	102.6
Belgium*	(BFr)	35.7307	+0.1764	212 - 401	35.8480	35.6300	35.6825	1.6	35.5653	1.9	35.0006	2.0	102.7
Denmark	(DKr)	6.5870	+0.0325	845 - 895	6.6074	6.5695	6.5804	1.2	6.5838	1.4	6.48	1.6	105.1
Finland*	(FM)	5.2684	+0.0260	650 - 678	5.2837	5.2515	5.2592	1.6	5.242	1.9	5.1588	2.0	80.8
France*	(FFr)	5.8101	+0.0287	085 - 116	5.8292	5.7938	5.8022	1.6	5.7833	1.8	5.6914	2.0	105.6
[illegible]													

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Feb 4	BFr	DKr	FFr	DM	IE	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	€
[illegible]																	

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100. * EMU member

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
[illegible]							

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
[illegible]							

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
[illegible]							

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
[illegible]							

UK INTEREST RATES

LONDON MONEY RATES

Feb 4	Over-night	7 days notice	One month	Three months	Six months	One year
[illegible]						

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
[illegible]							

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
94500	0.130	0.395	0.540	0.040	0.045	0.075
94625	0.060			0.095		
94750	0.025	0.215	0.355	0.185	0.115	0.140
94875	0.010			0.295		
95000	0	0.090	0.220	0.410	0.240	0.255
95125	0			0.535		

Est. vol. total, Calls 20845 Puts 32143. Previous day's open int., Calls 519284 Puts 558980

EMS EUROPEAN CURRENCY UNIT RATES

Feb 4	Euro cen. rates	Rate against Euro €	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
[illegible]						

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
[illegible]						2.07
[illegible]						2.82

■ PHILADELPHIA SE $/D-MARK OPTIONS DM62,500 ($ per DM)

Strike Price	Calls Feb	Calls Mar	Calls Apr	Puts Feb	Puts Mar	Puts Apr
[illegible]						0.59
0.580	0.25	0.60	0.92	0.31	0.56	0.81
0.585	0.12	0.40	0.68	0.65	0.88	1.08

Previous day's vol., Calls - Puts 4 . Prev. day's open int., Calls 385 Puts 3,453

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.00	94.98	-0.03	95.01	94.97	45,754	448,856
Jun	95.02	94.99	-0.03	95.05	94.97	59,209	437,737
Sep	95.01	94.98	-0.03	95.02	94.96	101,639	394,906

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	95.68	95.67	-0.03	95.69	95.67	105	2,150
Jun	-	95.72	-0.03	-	95.71	5	124

All Open interest figs. are for previous day

BASE LENDING RATES

	%		%		%
Adam & Company	5.50	Exeter Trust Limited	6.50	●Singer & Friedlander	5.50
Allied Irish Bank (GB)	5.50	Financial & Gen Bank	8.00	Smith & Williamson	5.50
●Henry Ansbacher	5.50	●Robert Fleming & Co	5.50	Sun Bank	6.50
Banco Bilbao Vizcaya	6.00	Habib Bank AG Zurich	6.00	TSB	5.50
Bank of Cyprus	5.50	Heritable & Gen Inv Bk	6.00	United Bank of Kuwait	5.50
Bank of Ireland	5.50	C. Hoare & Co	6.00	Unity Trust Bank Plc	5.50
Bank of India	5.50	●SG Hambros Bank & Trust	5.50	Whiteaway Laidlaw	5.50
Bank of Scotland	5.50	Hongkong & Shanghai	5.50	Yorkshire Bank	5.50
Barclays Bank	5.50	Investec Bank (UK) Ltd	5.50		
Brit Bk of Mid East	5.50	Julian Hodge Bank	5.50		
●Brown Shipley & Co Ltd	6.00	●Leopold Joseph & Sons	6.00		
Citibank NA	5.50	Lloyds Bank	5.50		
Clydesdale Bank	6.00	Midland Bank	5.50		
The Co-operative Bank	6.00	NatWestminster	5.50		
Coutts & Co	5.50	●Rea Brothers	6.00		
Cyprus Popular Bank	6.00	Royal Bk of Scotland	6.00		
Duncan Lawrie	6.00	Scottish Widows Bank	6.75		

● Members of London Investment Banking Association

WORLD INTEREST RATES

MONEY RATES

Feb 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
[illegible]								

INTERNATIONAL CURRENCY RATES

Feb 4	Short term	7 days notice	One month	Three months	Six months	One year
[illegible]						

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.965	96.970	+0.005	96.975	96.940	7,657	29,853
Jun	97.075	97.075	0	97.085	97.045	6,514	18,782

■ THREE MONTH EURIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.960	96.980	+0.010	96.980	96.940	75831	96252
Jun	97.070	97.075	-0.005	97.080	97.040	55411	94356
Sep	97.125	97.115	-0.010	97.135	97.085	42089	58519
Dec	96.910	96.865	-0.040	96.920	96.850	13490	65654

■ THREE MONTH EURO LIBOR FUTURES (LIFFE) €1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.970	96.980	+0.010	96.980	96.940	7461	162352
Jun	97.070	97.075	-0.005	97.080	97.045	4620	133749
Sep	97.130	97.115	-0.010	97.130	97.090	2838	124646
Dec	96.885	96.865	-0.040	96.900	96.860	2396	100855

■ EURIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
96875	0.110	0.120			0.005	0.015		
97000	0.025	0.050	0.130	0.155	0.045	0.070	0.055	0.080
97125	0.010	0.020			0.155	0.165		
97250	0	0.010	0.035	0.055	0.270	0.280	0.210	0.230

Est. vol. total, Calls 14713 Puts 6000 Previous day's open int., Calls 53635 Puts 33784

■ THREE MONTH EURO LIBOR OPTIONS (LIFFE) €1m 100-rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Calls Dec	Puts Mar	Puts Jun	Puts Sep	Puts Dec
96875	0.110	0.120			0.005	0.015		
97000	0.025	0.050	0.130	0.155	0.045	0.070	0.055	0.080
97125	0.010	0.020			0.155	0.165		
97250	0	0.010	0.035	0.055	0.270	0.280	0.210	0.230

Est. vol. total, Calls 16392 Puts 352. Previous day's open int., Calls 346738 Puts 176845

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.640	98.630	-0.020	98.650	98.590	19098	86140
Jun	98.530	98.500	-0.040	98.540	98.450	18368	49378
Sep	98.420	98.390	-0.050	98.430	98.370	4940	33384
Dec	98.110	98.100	-0.030	98.110	98.070	1557	14421

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m 100-rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	99.42	+0.01	-	-	0	n/a
Jun	-	99.54	+0.05	-	-	0	n/a
Sep	-	99.48	+0.05	-	-	0	n/a

* LIFFE futures also traded on APT

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr1m 100-rate

Strike Price	Calls Mar	Calls Jun	Calls Sep	Puts Mar	Puts Jun	Puts Sep
98750	0.080	0.095	0.125	0.200	0.345	0.485
98875	0.050			0.295		

Est. vol. total, Calls 250 Puts 0. Previous day's open int., Calls 3055 Puts 2112

Colombia to bail out coffee plantations

By Adam Thomson in Bogotá

Colombia and the country's coffee authorities have announced a financial package for growers whose plantations suffered infrastructure damages after an earthquake hit the coffee-growing area on January 25.

"The package will lead to an immediate recovery in the [affected] countryside," said Jorge Cárdenas, president of the National Coffee Federation, a state-run organisation that exports about 40 per cent of the country's exports and sets policy and prices for the country's private exporters.

While initial fears were quickly dispelled that the earthquake – the worst to hit the country in more than 100 years – had affected the coffee crop itself, more detailed studies have confirmed widespread damage to threshing machines, storage rooms and water supply.

"About 45 per cent of the plantations we have seen so far have suffered either significant or total damage to infrastructure," said Oscar Jaramillo, director of the National Coffee Federation's regional committee for Quindío province, the area most affected by the earthquake.

Mr Cárdenas said on Wednesday afternoon that the earthquake had damaged or destroyed 6,418 rural homes and 3,389 processing facilities in the region.

The earthquake, measuring 6.28 points on the Richter scale, also levelled most of the centre and south of Armenia – an important hub for the local coffee industry – as well as large parts of other towns in the region and outlying areas. Government officials say the affected area produces about 50 per cent of the country's annual coffee harvest.

Juan Camilo Restrepo, finance minister, said the package to help restore normality would total 60bn pesos (about $38m). Half will come from Fogafin, the government's Financial Guarantees fund, and the rest from the federation's coffee fund, set up to support local producers in times of crisis.

The swift announcement has helped restore confidence. Although the earthquake shook the region during the lowest point of coffee production, concern was growing that potential delays in restoring processing capacity would have severe repercussions for the country's secondary harvest or "mitaca", due to start in about six weeks.

The mitaca produces 40 per cent of Colombia's coffee production, which last year reached 12.7m 60kg sacks, second only to Brazil.

Mr Restrepo said the package would be available to affected coffee producers by Monday. He added that the package would consist of "long-term, soft loans".

Private exporters, responsible for about 60 per cent of the country's exports, said this week many growers and intermediaries had failed to deliver coffee since the earthquake, potentially complicating export obligations.

But federation officials said that in case of any difficulties, they would sell private exporters the shortfall from the federation's inventories of 4.5m sacks.

The earthquake damaged or destroyed 6,418 rural homes and 3,389 processing facilities

El Salvador exports halved

By James Wilson in Panama City

El Salvador's coffee exports have halved in the first four months of the 1998-99 season, reflecting continued lower prices and hurricane damage faced by Central America growers and traders.

Exports reached only 406,000 quintals (46kg bags) by the end of January, compared with more than 870,000 quintals during 1997-98, according to the El Salvadorean Coffee Council.

The amount of current season coffee exported so far is only about a quarter of last season's level because of a delayed start to the harvest and exports waiting for higher world prices.

Prospects for a good harvest had dimmed even before Hurricane Mitch hit the region in October. Last year's El Niño weather system caused a drought that damaged plants, while El Salvador has also suffered from lack of investment in plantations, according to industry officials.

After Mitch, 1998-99 crop forecasts were revised down to below 2.6m quintals, but officials now say this may prove too optimistic. Last year's harvest was 2.7m quintals, compared with recent averages of 3.3m quintals, and this season's level of exports so far is only about one-third of the level two seasons ago.

Coffee from Central America – Guatemala, El Salvador, Honduras, Costa Rica and Nicaragua – has in recent years accounted for about a 10th of world production. This year, exports from the region are expected to fall by about 15 per cent, the result of Hurricane Mitch and a natural dip in the normal growing cycle.

Exports from Panama are also sharply lower. Officials had forecast a harvest of 290,000 46kg bags, but now say about 20 per cent was destroyed by rain associated with the hurricane.

Silver at six-month high in London

MARKETS REPORT

By Paul Solman and Robert Corzine

Silver strengthened again yesterday, reaching a six-month high in London and tracking similar gains on the New York futures market.

Spot silver was fixed at $5.63 a troy ounce on the London Bullion Market yesterday, its highest since July.

Silver soared this time last year to almost $8 after Warren Buffett, the US investor, revealed he had acquired 16 per cent of the world's supply.

Analysts were uncertain about the source of the rally, suggesting it could be the result of technical buying. However, GNI, the international brokers, added: "Lease rates have tightened ... suggesting something is happening in the market."

Base metals were also stronger on the London Metal Exchange. Three-month nickel closed up $200 at a six-month high of $4,715 a tonne, and zinc rising $26 to a 4½-year high of $1,020 a tonne.

Crude oil prices were generally flat yesterday, with Brent Blend for March delivery quoted at $10.78 a barrel in late trading on London's International Petroleum Exchange, 11 cents off Wednesday's close.

Gas oil prices fell sharply amid the expectation that forecast mild weather in the north-east US would reduce demand when stocks were relatively high. The IPE's gas oil contract closed $3 down at $95.75 a tonne.

Coffee failed to react to reports of lower exports from Central America. Benchmark March closed at $1,705 a tonne on the London International Financial Futures and Options Exchange, $21 down on Wednesday.

Norway over-runs oil budgets

By Valeria Sköld in Oslo

Norway's offshore oil and gas investments almost consistently over-ran their budgets from 1994 to 1998, despite the industry's goal to halve its costs in that period, a government-commissioned industry report has revealed.

Oil companies spent NKr26bn, or 13 per cent, more than their original budgets, while only a few spent less than expected, according to an analysis of Norwegian offshore investments over the past five years. An initiative launched six years ago called Norsok had hoped to improve the competitive standing of the Norwegian offshore sector *by reducing project times* and costs by 40–50 per cent.

The report highlights Norsok's inability to keep its promise to reduce costs and improve project execution made five years ago. It also reveals its growing disadvantage as the oil industry prepares for lower oil prices, waning profits and further consolidation. The oil companies of other countries are following the example of the British Petroleum-Amoco mega-merger but so far, Norway has avoided mergers by its three oil companies.

Statoil, Norway's state-owned oil company, together with industry leaders such as Aker Maritime and Kvaerner, the oil service companies, was responsible for compiling the report.

Marit Arnstad, Norway's oil and energy minister, *commissioned the report last* year after 12 field developments on the Norwegian shelf were postponed. She had to drop NKr5bn worth of projects in 1998 and NKr12bn this year because of soaring oil investments and an over-heating economy.

Thirteen offshore oil and gas projects in particular, about two-thirds of the country's offshore investment in that period, exceeded their estimates by an average of NKr30bn or 27 per cent.

The oil industry spent more in over-runs during that time than all the oil investments last year on the Norwegian shelf, which reached NKr22.3bn.

The most expensive project was Statoil's development of Aasgard, the Norwegian oil and gas field where costs ballooned by NKr8.5bn, *or 30 per cent over its original estimates.*

Norsk Hydro, a Norwegian oil, fertiliser and metals company, also spent NKr3.6bn, or 45 per cent more, on its Visund field.

The report blamed drilling *and well completion costs* for the biggest cost over-runs on Norwegian offshore projects, such as the Norne and Gullfaks oil fields.

Oil companies over-ran their drilling budgets by NKr10bn in the five years, partly because of new technology and the need to upgrade rigs to handle complex drilling operations.

"Our shared ambitions to achieve improvements have led to over-optimistic investment estimates," said Terje Vareberg, Statoil executive vice-president. "These calculations failed to take adequate account of uncertainties associated with new technology and modes of working."

Growth in PRN trading

By Paul Solman

The Environment Exchange is predicting growing interest in *trading of package* recovery notes (PRNs) as more companies are ordered to hold the notes under the UK's recycling regulations.

The UK exchange, launched last November as a market for PRNs, said it had surpassed its expectations in the first two months of operation, and was looking forward to increased activity this year and next.

"Since we started on November 25, we have traded PRNs worth a total of about £160,000," said Angus Macpherson, who set up the Environment Exchange.

Trading in 1998 PRNs ended last month and trading in 1999 PRNs has now begun, he said.

"We've had 179 trades and now have 85 members. Fifty-five of those have traded already," added Julian Perrins, *business development* manager at the OM London Exchange, which operates the Environment Exchange.

PRNs are part of the UK's plan to ensure companies comply with European Union directives on waste recycling. Under the scheme, companies must show they have met their obligations by filing details of recycling carried out.

In return, the Environment Agency (SEPA in Scotland) issues PRNs. A company short of PRNs can buy more; one with more than it needs can sell the extras.

About 4,000 companies are covered by the regulations, which order businesses with an annual turnover of more than £5m and handling more than 50 tonnes of packaging a year to hold PRNs.

However, Mr Macpherson *said that from next year the* legislation would extend to companies with turnover of £2m, which could affect up to 13,000 companies.

PRNs come in six types: glass, aluminium, paper, plastic, steel, and a general note for non-specific materials.

Mr Macpherson said prices for one-tonne notes had varied but averaged about £15. The Environment Exchange had traded about 20,000 tonnes of the 2.5m tonnes of waste covered by PRNs for 1998.

The identity of traders was *kept confidential but members* included a large retailer and a large paper mill, he added.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1205-07	1219-20
Previous	1209.5-10.5	1219-19.5
High/low		1227/1212
AM Official	1208.5-09.0	1218-18.5
Kerb close		1226.5-27
Open int.	279,383	
Total daily turnover	83,457	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1035-40	1055-58
Previous	1038-43	1058-60
High/low		1055/1053
AM Official	1038-39	1056-57
Kerb close		1055-60
Open int.	7,377	
Total daily turnover	2,553	

■ LEAD ($ per tonne)

Close	520-1	502-3
Previous	495-96	498-9
High/low		506/494
AM Official	499-99.5	502-3
Kerb close		494-5
Open int.	34,449	
Total daily turnover	17,608	

■ NICKEL ($ per tonne)

Close	4640-50	4710-15
Previous	4440-50	4510-15
High/low		4715/4530
AM Official	4655-60	4705-10
Kerb close		4710-20
Open int.	69,399	
Total daily turnover	25,421	

■ TIN ($ per tonne)

Close	5200-05	5175-80
Previous	5145-55	5120-30
High/low		5195/5135
AM Official	5165-70	5145-50
Kerb close		5195-200
Open int.	21,336	
Total daily turnover	4,904	

■ ZINC, special high grade ($ per tonne)

Close	1004-05	1019-20
Previous	976-7	993-4
High/low		1025/993
AM Official	990.5-91.0	1005-5.5
Kerb close		1024-25
Open int.	93,169	
Total daily turnover	73,792	

■ COPPER, grade A ($ per tonne)

Close	1438-39	1465-65.5
Previous	1427.5-28.5	1455.5-56.5
High/low		1471/1449
AM Official	1437-38	1465.5-6.0
Kerb close		1467-68
Open int.	171,337	
Total daily turnover	44,055	

■ LME AM Official £/$ rate: 1.6324
LME Closing £/$ rate: 1.6410

Spot: 1.6395 3 mths: 1.6369 6 mths: 1.6357 9 mths: 1.6350

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	65.45	+1.00	65.85	65.30	232	891
Mar	65.80	+1.00	66.30	64.75	8,033	40,676
Apr	66.25	+1.00	66.25	65.75	87	2,093
May	66.60	+1.00	67.10	65.80	683	7,367
Jun	66.90	+1.00	67.00	67.00	35	1,495
Jul	67.30	+1.00	67.70	67.10	751	6,321
Total					10,824	73,790

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	288.20-288.60		
Opening	288.70-289.10		
Morning fix	287.25	175.58	254.89
Afternoon fix	287.25	175.53	254.86
Day's High	288.50-288.80		
Day's Low	286.70-287.10		
Previous close	286.60-287.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.63	6 months	3.89
2 months	4.64	12 months	3.50
3 months	4.52		

Silver Fix	p/troy oz.	US cts equiv.
Spot	344.05	562.00

Silver Lending Rates

1 month	1.45	6 months	0.45
2 months	1.40	12 months	0.30
3 months	0.70		

Gold Coins	$ price	£ equiv.
Krugerrand	293-294	177-179
New Sovereign	68-72	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	290.2	+2.2	291.0	287.8	148	1,905
Mar	290.5	+2.0	–	–	–	2
Apr	291.2	+1.9	292.0	288.8	30,922	98,060
Jun	293.1	+1.9	294.0	291.0	249	25,131
Aug	295.0	+1.9	294.0	294.0	19	6,737
Oct	296.8	+1.9	296.0	296.0	2	2,797
Total					31,988	180,942

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	362.0	+7.1	364.0	352.0	1,165	10,945
Jul	364.9	+7.1	365.0	357.5	20	1,479
Oct	367.7	+7.1	–	–	20	1,081
Total					1,185	13,508

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	362.70	+11.70	368.00	352.00	100	2,496
Jun	352.70	+8.70	353.00	353.00	34	217
Sep	348.70	+8.70	–	–	1	127
Total					234	2,941

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	576.0	+21.7	–	–	169	225
Mar	576.0	+21.7	580.0	549.0	35,734	54,687
May	576.8	+21.4	581.0	555.5	2,467	14,094
Jul	576.7	+21.0	580.0	565.5	620	10,336
Sep	577.4	+20.8	580.0	557.0	103	3,952
Dec	577.4	+21.1	580.0	556.0	307	6,395
Total					39,822	96,084

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels. $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	12.28	–0.10	12.43	12.15	82,878	102.5k
Apr	12.42	–0.07	12.53	12.28	31,118	57,694
May	12.58	–0.03	12.68	12.43	7,329	46,211
Jun	12.71	–0.03	12.80	12.60	4,898	37,953
Jul	12.76	–0.13	12.89	12.76	727	23,555
Aug	12.91	–0.12	13.02	12.90	517	16,573
Total					119,184	507,377

■ CRUDE OIL IPE ($/barrel)

	Open price	Day's change	High	Low	Vol	Open int
Mar	10.78	–0.11	10.92	10.74	11,124	48,186
Apr	10.90	–0.13	11.04	10.87	12,150	52,241
May	11.08	–0.13	11.19	11.03	2,162	29,820
Jun	11.27	–0.08	11.33	11.20	1,197	30,885
Jul	11.39	–0.12	11.52	11.39	813	10,948
Aug	11.62	–0.05	11.84	11.62	1,310	6,007
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	31.75	–0.84	32.59	31.60	16,262	47,809
Apr	32.25	–0.82	32.90	32.10	4,252	19,895
May	33.05	–0.42	33.68	32.80	915	14,249
Jun	33.80	–0.42	34.17	33.65	416	13,344
Jul	34.70	–0.42	35.12	34.65	1,559	10,741
Aug	35.50	–0.52	35.80	35.60	823	9,995
Total					29,112	168,851

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	96.00	–2.75	97.75	95.50	8,375	23,170
Mar	97.00	–2.75	98.50	96.50	6,529	27,639
Apr	98.00	–3.25	99.50	98.00	757	15,251
May	100.50	–2.50	101.50	100.25	760	9,215
Jun	102.75	–2.75	103.50	102.75	450	11,171
Jul	105.25	–2.75	106.00	105.50	459	4,040
Total					17,738	129,667

■ NATURAL GAS IPE (1,000 therms; pence per therm)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	9.470	+0.100	9.510	9.430	450	5,515
Mar	9.300	–	9.380	9.300	50	3,285
Total					705	28,718

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	1.830	+0.065	1.840	1.747	29,018	53,395
Apr	1.865	+0.060	1.870	1.785	7,132	23,634
May	1.890	+0.055	1.890	1.820	2,620	15,888
Jun	1.910	+0.042	1.910	1.850	1,223	16,433
Jul	1.930	+0.035	1.935	1.880	1,432	14,209
Aug	1.955	+0.030	1.955	1.905	722	10,713
Total					55,102	244,881

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Mar	36.80	–0.51	37.40	36.50	16,821	23,468
Apr	39.85	–0.36	40.17	39.45	4,176	20,535
May	40.45	–0.21	40.95	40.70	1,522	15,916
Jun	41.50	–0.46	41.80	41.30	1,558	12,536
Jul	42.15	–0.31	42.50	41.85	448	13,382
Aug	42.10	–0.58	42.10	42.10	254	1,959
Total					28,431	104,328

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	74.25	–0.70	74.30	74.25	75	1,802
May	75.40	–0.50	75.60	75.20	457	3,878
Jul	77.40	–0.30	77.50	77.20	100	742
Sep	76.65	–0.85	–	–	–	157
Nov	78.40	–0.85	79.00	78.50	119	1,786
Jan	80.40	–0.85	80.90	80.90	2	381
Total					753	8,746

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	267.75	+2.00	268.00	265.25	20,287	67,580
May	278.50	+2.25	279.00	275.50	4,317	20,627
Jul	288.25	+2.00	288.75	286.00	5,873	38,142
Sep	298.50	+1.25	299.00	297.50	873	3,288
Dec	311.00	+0.75	311.50	310.25	894	4,163
Mar	320.00	–1.00	320.00	319.00	1	40
Total					32,244	133,825

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	217.25	+1.50	217.50	215.00	61,946	150,939
May	223.00	+1.25	223.50	220.75	12,120	71,837
Jul	228.00	+1.25	228.50	226.00	9,457	73,370
Sep	233.75	+0.75	234.25	232.25	933	18,122
Dec	239.75	+0.25	240.50	238.25	5,521	42,398
Mar	247.75	+0.25	248.00	246.50	1,260	4,813
Total					91,491	364,934

■ BARLEY LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	78.25	–	78.00	78.00	20	253
May	79.25	–	–	–	–	60
Sep	77.00	–0.50	–	–	–	35
Nov	79.00	–0.50	79.00	79.00	10	207
Jan	81.00	–0.50	–	–	–	20
Total					30	575

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	508.75	+1.25	509.50	503.75	43,092	66,890
May	512.75	+1.25	513.00	508.00	10,299	31,557
Jul	517.50	+1.25	518.00	512.50	8,808	32,807
Aug	518.50	+0.50	519.00	514.00	1,425	10,276
Sep	519.00	+0.50	520.00	516.00	604	2,794
Nov	527.50	+1.25	528.00	522.50	3,078	20,798
Total					67,176	166,296

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	21.13	+0.07	21.30	20.88	10,677	51,798
May	21.39	+0.05	21.55	21.18	8,353	30,677
Jul	21.59	+0.03	21.76	21.40	2,723	21,306
Aug	21.71	+0.04	21.85	21.57	895	5,862
Sep	21.81	+0.05	22.00	21.65	750	4,674
Oct	21.85	+0.02	22.05	21.80	356	2,589
Total					23,816	138,786

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	134.0	+0.1	135.2	132.7	16,518	44,145
May	133.6	+0.2	134.2	132.0	6,180	30,725
Jul	135.1	+0.3	135.8	133.1	3,170	28,761
Aug	135.7	+0.1	137.3	134.7	1,007	8,568
Sep	136.1	+0.6	138.0	136.2	680	5,035
Oct	136.8	+0.4	139.0	137.4	72	2,684
Total					28,097	129,723

■ POTATOES LIFFE (20 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	263.0	–	–	–	–	–
Apr	314.0	+5.0	315.0	310.0	8	2,098
May	330.0	+11.0	–	–	–	–
Jun	340.0	+11.0	–	–	–	–
Nov	90.0	–5.0	–	–	–	3
Total					8	2,115

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	830	+25	830	810	88	227
Mar	865	+30	865	845	27	165
Apr	830	+5	840	825	36	893
Jul	825	+30	825	825	5	802
Oct	925	+15	925	925	1	262
Total					157	2,469

	Close	Prev
BFI	794	794

PULP AND PAPER

■ PULPEX ONLY (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	405.25	–	405.25	405.25	20	475
Jun	430.25	–	430.25	430.25	20	292
Total					40	777

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

FUTURES DATA
All futures data supplied by CMS.

Wool from Mallett & Co
Australian wool prices continued to ease at this week's auctions, though the rate of decline slowed and some reports indicated a firm market on the final day. The main eastern market indicator was 11 cents lower at 491 cents a kg. New Zealand wool prices also declined again, with the indicator down 10 cents to 367 cents a kg. Australian and New Zealand currencies strengthened during the same period, which could explain some of the difference. The world wool market continues to exhibit all the signs of inadequate demand in the face of production, which is not falling fast enough to reach balance.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	903	+2	915	897	3,955	39,583
May	912	–2	925	909	3,494	36,863
Jul	933	–1	945	930	431	12,788
Sep	953	–1	965	950	1,108	28,251
Dec	978	–	990	975	361	24,551
Mar	1002	–	1015	999	273	16,961
Total					9,959	193,457

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1316	–	1340	1312	4,056	26,319
May	1344	–2	1362	1341	2,815	23,101
Jul	1374	–	1385	1373	824	8,164
Sep	1404	–	1415	1415	248	5,037
Dec	1442	–	1451	1440	469	6,233
Mar	1460	–	–	–	10	6,385
Total					8,422	75,547

■ COCOA (ICCO) (SDR's/tonne)

Feb 3	Price	Prev. day
Daily	1021.42	1018.37

■ COFFEE LIFFE (5 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1706	–20	1719	1705	1,365	23,321
May	1647	–17	1655	1646	1,318	11,581
Jul	1633	–16	1640	1635	197	3,076
Sep	1623	–16	1630	1625	241	1,565
Nov	1613	–16	1615	1615	17	373
Jan	1603	–21	1600	1600	20	244
Total					3,158	40,120

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	103.90	–1.60	105.75	102.25	5,202	16,527
May	105.70	–1.35	106.75	104.50	2,066	10,365
Jul	107.50	–1.00	107.90	106.25	359	4,008
Sep	109.00	–1.25	109.75	108.00	231	2,639
Dec	110.30	–1.25	111.00	109.25	136	1,434
Mar	111.60	–0.25	112.25	111.15	11	441
Total					8,005	35,432

■ COFFEE (ICO) (US cents/pound)

Feb 3		Prev. day
Comp. daily	93.44	93.74
15 day average	94.90	95.37

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	221.8	–0.8	223.5	220.9	1,556	11,881
May	219.8	–0.8	221.8	219.0	1,582	18,281
Aug	218.6	–0.1	220.0	218.6	605	5,029
Oct	210.8	–0.1	213.0	210.0	73	7,694
Dec	213.9	–	213.9	212.5	58	1,832
Mar	217.7	–0.7	217.8	217.0	35	1,390
Total					4,377	58,711

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	6.58	–0.12	6.69	6.56	6,285	64,085
May	6.55	–0.09	6.72	6.54	6,775	38,295
Jul	6.52	–0.06	6.64	6.52	3,119	33,377
Oct	6.86	–0.10	7.01	6.86	[illegible]	[illegible]
Mar	7.29	–0.08	7.40	7.26	883	12,864
May	7.36	–0.07	7.43	7.36	13	2,262
Total					17,968	174,693

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	59.13	–1.26	60.55	58.50	4,145	27,572
May	59.66	–1.23	61.20	59.60	1,516	18,424
Jul	60.55	–0.56	61.50	60.10	387	7,993
Oct	61.18	–1.22	62.10	61.10	3	1,655
Dec	61.84	–0.85	62.75	61.70	204	13,578
Mar	62.85	–0.83	63.20	63.00	16	1,661
Total					6,271	76,334

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	104.45	+1.05	104.50	102.55	1,777	15,856
May	102.25	–0.70	103.90	101.75	721	6,397
Jul	101.50	–1.40	103.05	101.50	135	3,081
Sep	101.50	–1.60	101.90	101.50	14	893
Nov	101.50	–1.15	102.70	102.70	5	327
Jan	101.50	–0.95	–	–	–	347
Total					2,662	27,185

INDICES

■ Reuters (Base: 18/9/31 = 100)

Feb 4	Feb 3	month ago	year ago
1447.8	1447.8	1484.9	1746.0

■ CRB Futures (Base: 1967 = 100)

Feb 3	Feb 2	month ago	year ago
192.72	192.69	[illegible]	[illegible]

■ GSCI Spot (Base: 1970 = 100)

Feb 3	Feb 2	month ago	year ago
133.93	133.81	134.76	170.17

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+800	to	800,025
Aluminium alloy	+100	to	84,840
Copper	+7,700	to	603,000
Lead	[illegible]	to	100,250
Nickel	–162	to	65,012
Zinc	–102	to	312,150
Tin	+210	to	7,480

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	64.675	+0.300	64.800	64.000	11,055	21,828
Apr	67.350	+0.375	67.400	66.550	14,056	47,959
Jun	65.600	+0.200	65.650	65.050	3,280	24,282
Aug	65.025	+0.125	65.200	64.475	2,377	12,622
Oct	66.450	–0.025	66.550	65.900	783	7,356
Dec	67.325	–0.100	67.475	66.975	128	2,957
Total					31,783	117,291

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	42.450	+1.800	42.600	41.000	4,989	8,002
Apr	45.925	+2.000	45.925	45.200	5,923	15,323
Jun	56.825	+1.775	56.950	55.550	2,032	8,733
Jul	57.200	+1.325	57.400	56.000	618	3,804
Aug	56.875	+1.125	57.350	56.250	242	3,488
Oct	55.800	+0.875	55.950	55.100	323	3,839
Total					14,250	45,136

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Feb	59.650	+3.000	59.850	57.250	1,063	2,382
Mar	60.175	+3.000	60.175	57.400	793	3,199
May	60.800	+3.000	60.800	58.600	231	1,074
Jul	61.250	+2.450	61.250	58.800	66	776
Total					2,172	7,641

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Mar	Jun	Mar	Jun
1150	69	99	3	14
1200	31	65	16	29
1250	10	39	44	52
■ COPPER (Grade A) LME	Mar	Jun	Mar	Jun
1450	35	81	30	51
1500	15	57	61	76
1550	5	38	101	107
■ COFFEE LIFFE	Mar	May	Mar	May
1600	111	100	5	53
1650	69	71	13	74
1700	36	51	30	104
■ COCOA LIFFE	Mar	May	Mar	May
900	17	44	14	32
950	4	23	50	46
1000	3	24	50	62
■ BRENT CRUDE IPE	Mar	Apr	Mar	Apr
1050	10	-	-	-
1100	-	-	-	-
1150	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$10.32-0.43z	-0.445
Brent Blend (dated)	$10.43-0.45	-0.285
Brent Blend (Apr)	$10.78-0.83	-0.280
W.T.I.	$12.22-2.24z	-0.35

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$120-122	-2.5
Gas Oil	$89-90	-2
Heavy Fuel Oil	$59-60	-2
Naphtha	$95-96	-1
Jet fuel	$120-122	+1
Diesel	$104-105	-2

■ NATURAL GAS (Pence/therm)

Bacton (Mar)	9.45-9.55	+0.075

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$286.95	+2.10
Silver (per troy oz)♣	562.00c	+16.00
Platinum (per troy oz.)	$362.85	+4.00
Palladium (per troy oz.)	$357.00	+11.00
Copper	70.0c	
Lead (US Prod.)	45.00c	
Tin (Kuala Lumpur)	18.12r	
Tin (New York)	245.5	
Cattle (live weight)	90.17p	
Sheep (live weight)	74.49p	
Pigs (live weight)	51.80p	
Lon. day sugar (raw)	$171.10	-3.10
Lon. day sugar (wte)	$227.40	-2.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£100.00	
Wheat (US Dark North)	Unq	
Rubber (Feb)♥	46.75p	+0.25
Rubber (Mar)♥	48.00p	
Rubber (KL RSS No1)	262.00m	-0.50
Coconut Oil (Phil)§	770.00	+10.0
Palm Oil (Malay.)§	550.00	
Copra (Phil)§	480.0y	
Soyabeans (US)	149.0y	-1.5
Cotton Outlook 'A' index	58.90	+0.05
Wooltops (64s Super)	290p	

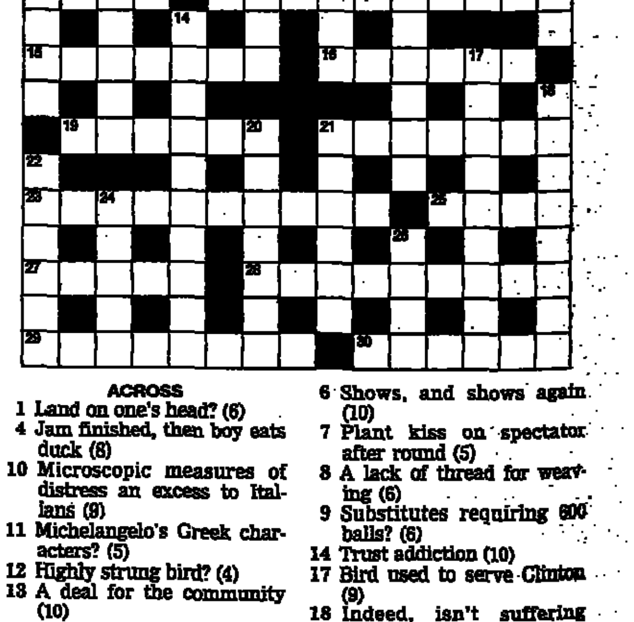
£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg.

JOTTER PAD

For solutions to today's crossword call 0891 430060.
Calls cost 50p a minute.

CROSSWORD

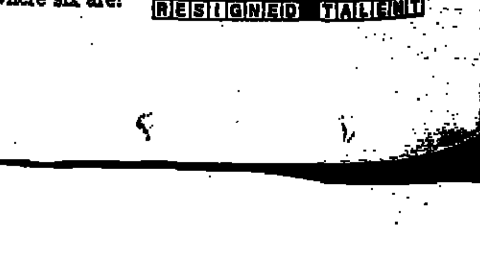
No.9,906 Set by BATS



ACROSS
1 Land on one's head? (6)
4 Jam finished, then boy eats duck (8)
10 Microscopic measures of distress an excess to Italians (9)
11 Michelangelo's Greek character? (5)
12 Highly strung bird? (4)
13 A deal for the community (10)
15 Work for the newspapers, and trample underfoot (7)
16 Elegant English ship in sort of dock (6)
19 Fiddle master class (6)
21 Loop the loop perilous to cyclists (7)
23 Flat, possibly, was unprepared (10)
25 Slip, perhaps, in muck? No thanks! (4)
27 Coach coaches (5)
28 The function of a union? (9)
29 Administers drugs again, and withdraws (8)
30 Showing little interest, is told off (6)

DOWN
1 Timber, a heavy weight of diatoms (8)
2 Disco's a kinky thing (shirts lifted) (9)
3 Meat missing on mongrel (6)
5 Came to see where six are? (7)
6 Shows, and shows again (10)
7 Plant kiss on spectator after round (5)
8 A lack of thread for weaving (6)
9 Substitutes requiring 600 balls? (6)
14 Trust addiction (10)
17 Bird used to serve Clinton (9)
18 Indeed, isn't suffering meant? (8)
20 Stumbled upon princess climbing in Moslem tower (7)
21 Fish put in one's ear? (6)
22 Physically, all things are important (6)
24 Cruise by the sea (5)
26 Show one's contempt in hospital (4)

Solution 9,905



FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

CAYMAN ISLANDS (REGULATED)(**)

MFS Meridian Funds - Contd.

Marshall Wace Asset Management Limited

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

GUERNSEY (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

ABN AMRO Global Liquidity Funds Plc (x)

Aberdeen Prolific Intl Fund Plc

GT Global - Contd.

AIG Asset Management Ltd

AIG Capital Funds Plc (z)

Global Resources Stock Fund

The Golden Gate Fund Plc

Goldman Sachs

Gordon House Asset Management Ltd

HSBC Asset Management

Pioneer Management (Ireland) Ltd

Premier Protected Assets Fund Plc

Prudential Securities Futures Mgmt Inc

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

JERSEY
(FSA RECOGNISED)

AIB Fund Managers (CI) Ltd

Mercury Asset Mngt Channel Islands Ltd.

Midland Bank Fund Managers (Jersey) Ltd

Dresdner RCM Select Fund (u)

Dresdnerbank Asset Mngmt SA (u)

EFG Private Asset Management S.A.

Jupiter Tyndall Global Fund

Schroder International Selection Fd (u)

BNP - Contd.

Banque Colbert S.A.

JP Morgan

Scudder Global Opportunities Funds - Contd.

LUXEMBOURG
(FSA RECOGNISED)

ABN AMRO Funds (u)

JERSEY
(REGULATED)(**)

LUXEMBOURG
(REGULATED)(**)

OFFSHORE INSURANCES

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Dresdner Bank Investment Group - Contd.

Global Asset Management - Contd.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Allied Domecq	N	476½xd	-8½	545	385	3,674	5.3	12.5
Bulmer (HP)		284xd	—	412½	283	7	6.6	12.7
Burn Stewart		14	—	32½	7	22	-	-
Diageo		649	-3½	*705	476	3,557	3.1	19.6
Glenmorangie A	†	535	-10	900	535	-	2.8	17.2
B	†	327½	—	990	310	-	1.1	44.9
Highland		258½	—	325	225	18	4.6	11.6
5¾pc Cv Sb Bd		99¼	+¼	100½	90½	-	5.9	-
Kirin Y		752½xd	-3½	814½	457½	-	0.9	56.1
Matthew Clark		242	—	244	115	-	6.7	8.2
Merrydown		23	—	58½	18½	-	-	ϕ
Seagram C$		[illegible]	[illegible]	[illegible]	£14[illegible]	-	0.9	-

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING MATS. & MERCHANTS

CHEMICALS

CONSTRUCTION

CONSTRUCTION - Continued

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ENGINEERING

ENGINEERING - Continued

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

FOOD PRODUCERS - Continued

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Continued

HOUSEHOLD GOODS & TEXT

INSURANCE

INSURANCE - Continued

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Continued

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
Approved by the Inland Revenue								
Aberdeen Emg Asia	♣	23½	–	*30½	13½	–	28.5	17.6
Warrants		6¾	–	*7¼	0¼	–	–	–
Atlantis Japan Gwth Fd.		261½	+3½	282	150	–	348.8	25.0
Warrants		6¾	–	41	1½	–	–	–
Baring Emrg Euro	♣	98¼	+1	118	55	–	120.9	18.7
Warrants		62½	+1	87½	29½	–	–	–
Brazilian IT	♣	35	–	87½	19½	3.1	–	–
Warrants		0½	–	29½	1	–	–	–
Central Euro Gwth.	♣	44	+½	68½	26½	–	56.8	22.5
Warrants		0½	–	11½	0½	–	–	–
East German		11½	–	13	5½	–	–	–
Edinr Trust $		732½	+3	875	567½	–	21.7	45.9
F&C Latin American $♣		69½	+1½	128¼	46	2.2	–	–
Warrants		31½	+¼	78	16¼	–	92.0	24.4
Yel Russian Frontiers $♣		185½	+1½	1100	160	–	–	–
Warrants		52½	–	560	30	–	415.6	52.7
Warrants II		37½	–	525	15	–	–	–
Five Arrows Chile		87¼	+¼	111½	69¼	–	–	–
Warrants		1	–	18¼	0½	–	131.6	26.0
Gartmore Asian Smlr	♣	62½	–½	102	31	–	–	–
Govett Smlr Asian Co. $♣		25¼xd	–½	38½	15½	1.1	91.0	31.3
Warrants		2½	–	7½	1½	0.7	36.7	31.2
Indonesia Fund		129¾	–	145	123¾	–	–	–
Warrants		8	–	*23	7½	–	–	–
Israel Fund $		47½	–¼	83¼	39¼	–	–	–
Korea-Europe $	♣	186¼	–	222½	95½	–	55.0	13.4
Korea Liberal $		113	–	131	73¼	0.7	253.8	29.8
Warrants		15¼	–	18¼	5¼	–	167.8	32.7
Lazard Beta India	♣	33	+¼	39¼	22½	–	–	–
Warrants		6	+½	8	2½	–	–	–
Schroder Korea Fd $♣		335¾	–	375¼	141¼	–	–	–

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

INVESTMENT COMPANIES

	Notes	Price	+ or -	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
AIM Distribution		79	–	98	78	5.7	–	–
Advent VCT	♣F	77½	–	109	65	1.0	–	–
Advent 2 VCT	♣	79	–	102	73	4.8	–	–
[illegible]								

Net asset values supplied by Lipper as a guide only. See guide to London Share Service

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

MEDIA - Continued

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Continued

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Continued

TELECOMMUNICATIONS

TOBACCO

TRANSPORT

TRANSPORT - Continued

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

TRADED INDEX SECURITIES

AIM

Alternative Investment Market

AIM - Continued

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. For FTSE 100 Index constituents and reserves contained in the Trading Volume table on the LSE page, last trade prices at or prior to 4:30pm market close are shown, as these shares are now traded on the Stock Exchange Electronic Trading System ("SETS"). Highs and lows are based on intra-day mid-prices/last trades over a rolling 52 week period.

Trading Volumes are end of day accumulated totals. Dashes indicate that either no trade has taken place during the day or the data is not available for those particular securities. Volumes shown for foreign securities are based on London trading.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent (except where payment is due after 6/4/99 when no tax credit will be applied) and allow for the value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- , Indicated dividend yield after pending scrip and/or rights issue
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. f Dividend/yield adjusted for complex base. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. i Rights issue pending. j Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Dividend/yield includes amount payable after 6/4/99. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1998-99. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimate for 1999. K Yield based on prospectus or other official estimates for 1998. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1997-98. N Dividend is paid in whole or part as a FID (Foreign Income Dividend). P Dividend/yield adjusted for consolidation or share split. R Forecast annualised yield, p/e based on prospectus or other official estimates. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xp ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1570 a year for each security shown, subject to the Editor's discretion

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FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

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For Retail Price Index details call 0891 43 0005

The FT web site

London share prices are available throughout the trading day with a 20 minute delay from our web site, http://www.ft.com, which also has the closing share prices printed on these pages.

LONDON STOCK EXCHANGE

Weakness on Wall Street upsets Footsie party

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

"Every time London has a good excuse to break free from Wall Street's shackles, the US market spoils the party," said Corey Miller, UK strategist at Paribas.

He was commenting on the poor performance of London's equity market at the end of a day most market observers would have expected to produce a strong upside display.

Already bursting with vitality ahead of the surprise news that the Bank of England's monetary policy committee had sanctioned a 50 basis points cut in UK interest rates, the FTSE 100 posted a three-figure gain only to run back into negative ground at the finish.

The index closed a net 0.4 down at 5,939.9, with dealers pointing accusing fingers at Wall Street as the culprit for a disappointing day that promised so much and, at the close, delivered nothing, at least from the UK leaders.

There was some good news for investors in the market's mid-cap stocks, which clambered back on the upside tack, and the small-caps were again being chased by institutions and private investors after another spate of takeover stories.

But even those previously buoyant areas of the London market bowed to pockets of profit-taking.

The FTSE 250 index closed well off its best, though boosted over lunchtime by the surprise bid approach for Stakis, the hotels group, news of which gave a big boost to the whole of the leisure sector.

It settled 19.4 higher at 5,232.6 after touching a session high of 5,250.0, up 38.8, during the early afternoon.

The FTSE SmallCap, although off its best of the day, was, nevertheless, looking very strong at the close, clambering above the 2,200 level for the first time since August last year.

That was when global markets were buffeted by the collapse of the Russian market and the near-failure of Long Term Capital Management, the US hedge fund. Those events precipitated the round of interest rate cuts in the US and across Europe.

The SmallCap rose 18.9 to 2,201.4 yesterday, only a fraction off its session high of 2,202.2.

The extent of the reduction in UK rates caught many on the hop, and induced some worries about the economic background to the size of the rate cut.

But Paribas's Miller said that the UK market was well underpinned at these levels and offered good value relative to other European markets. "We see UK rates at 5 per cent by mid-year and there is also the prospect of more mergers and bids.

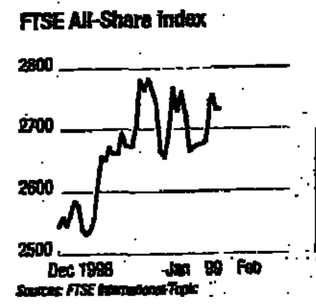
"We feel more than happy with our end-year FTSE 100 forecast of 6,500," he said.

Bob Semple, UK equity market strategist at BT Alex Brown, said: "London struggled and got nowhere despite the rate cut. I think we are in for a volatile few months despite the bid stories, which are being countered by profit warnings."

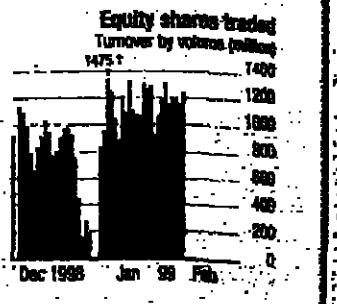
Marketmakers said buyers were falling over themselves to chase mid-cap and small-cap stocks, where the takeover stories have had much publicity. But one warned: "This will not be the place to have your money when the party stops."

Turnover at 6pm was a hefty 1.24bn shares.

FTSE All-Share Index



Equity shares traded
Turnover by volume (million)



Source: FTSE International/Topic

Indices and ratios

FTSE 100	5939.9	-0.4	FT 30	3629.1	+9.8
FTSE 250	5232.6	+19.4	FTSE Non Fins p/e	24.81	23.76
FTSE 350	2827.9	+1.5	FTSE 100 Fut Mar	5989.0	+49.0
FTSE All-Share	2732.82	2.51	10 yr Gilt yield	4.47	4.39
FTSE All-Share yield	2.83	2.85	Long gilt/equity yld ratio	1.57	1.54

Best performing sectors

1	Oil Integrated	+3.3
2	Resources	+2.8
3	Engineering: Vehicles	+2.2
4	Leisure & Hotels	+2.0
5	Diversified Industrials	+1.4

Worst performing sectors

1	Gas Distribution	-2.5
2	Life Assurance	-2.5
3	Electricity	-2.4
4	Utilities	-2.0
5	Banks: Retail	-1.9

Shell yields big rise

COMPANIES REPORT

By Peter John and Martin Brice

Investors piled into Shell Transport yesterday as they spotted the attractive yield benefits of one of the UK's biggest stocks.

At the start of trading, the UK oil major offered a gross yield of 4.3 per cent – more than the return on long-dated government bonds. "The growth prospects might not be fantastic but they have to be better than 10-year bonds," said one analyst.

The feeling that the shares might have fallen too far after sliding 18 per cent in January coincided with some switching out of Royal Dutch shares, which rose sharply the previous day, and political underpinning.

Political support came from hope that the next Opec meeting might be brought forward because of the strong desire to combat depressed oil prices. It also came from reports that UN aid workers in Iraq had been withdrawn, pushing back the potential for a rapprochement between the the oil producer and the west.

Shell lifted 12¼ to 323p on turnover of 37m even though there is little optimism about next week's preliminary figures, which are expected to show a 34 per decline on last year's net income. BP Amoco gained 26 to 891 with 17m traded, helped by Charterhouse Securities publishing a big oil sector review which upgraded the stock from "hold" to "buy". Between them, the two stocks represent 10 per cent of the Footsie and 8 per cent of the entire market.

British Telecom shot forward in early trading as one broker reassessed its valuation and another looked for an internet boost.

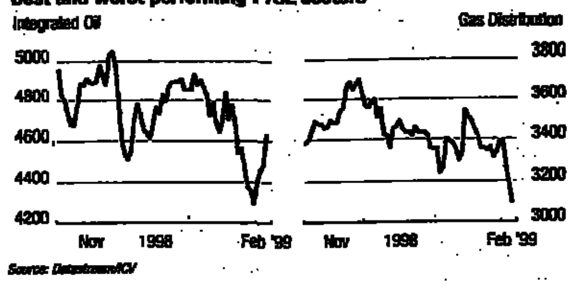
Goldman Sachs came in first thing yesterday with a strong boost to its share price target. It was reviewing its current rating of "market outperformer" and raising its price target from 880p to £11.00, which would represent 11 times earnings on an EBITDA basis – before interest, tax, depreciation and amortisation.

The broker cited BT's £5bn five-year investment in its UK and European networks to support "dramatic growth" in data and multimedia services.

In addition, Charterhouse Tilney predicted a favourable ruling from the telecoms regulator this month on internet-related call charges.

Best and worst performing FTSE sectors

Integrated Oil / Gas Distribution



Source: Datastream/ICV

All internet connections are charged at a local rate and BT is responsible for most call origination throughout the UK. Charterhouse says BT gets less than 20 per cent of the internet call income even though it is used for 90 per cent of the calls.

On the other hand, providers of free internet services, such as Dixons, gain from the current regime. Dixons fell 10 to £10.20.

BT, which announced it had bought Arrakis, Spain's leading internet service provider, for £9.5m, was up 40 at best. But as one of the market's most liquid stocks it was dragged back by the gloomy reaction to yesterday's base rate cut and caution ahead of next week's third-quarter figures. The stock closed 3¼ lower at 950½p.

Internet enthusiasm also boosted EMI. It was the top performing FTSE 100 stock as Warburg Dillon Read cited internet exposure as a reason for upgrading its stance on the stock to "buy."

Allied Irish Banks fell 48¼ to £11.54 and Bank of Ireland 77 to 362½p after Credit Suisse First Boston cut its ratings for the two groups.

Both stocks had hit record highs over the previous two days on speculation of a takeover of Allied Irish, with Deutsche Bank, Lloyds TSB and ABN Amro seen as possible suitors.

CSFB cut Bank of Ireland to "hold" from "buy" and Allied to "sell" from "buy" citing the potential impact of transition to the European single currency on provisioning levels, margins and volumes. It said the shares were overvalued and unavoidable pressure would show itself as the year progressed.

Reform hits Pru

Prudential fell 34 to 954p on concerns that some of its business might be hit by UK government pension reform plans announced yesterday.

SG Securities advised investors to take profits, saying the company looked to be poorly positioned to deal with proposals to create new pension savings vehicles based on unit trusts.

Elsewhere in the sector, Sun Life & Provincial fell 28½ to 501p and Legal & General slid 14 to 875½p.

Daily Mail & General Trust celebrated its move into the Footsie with a slide of 199 to £32.53.

The move for hotels group Stakis threw the sector into the spotlight as its shares moved to within a whisker of their all-time high while peer stocks achieved strong rises in heavy volume.

Stakis achieved the best performance in the FTSE 250 as they gained 23 per cent, or 26 to 137p, just under their high of 143½p.

The bid fever spread to others in the sector, with Millennium & Copthorpe up 7 per cent or 32 at 474½p while Jarvis Hotels saw 4.3m traded and gained 9 to 103½p.

However, the heaviest volume in the sector was a pointer to the company seen as most likely to be behind the approach. Ladbroke saw 12m traded as it fell 4¼ to 238¾p. Whitbread, also seen as a potential bidder, strengthened 3½ to 913p.

Both are said to have the money for a takeover. Ladbroke has recently sold the Coral betting shop chain and Whitbread has a large war chest. They are both considered to want the mid-range hotels operated by Stakis, which also operates casinos and a chain of health and fitness clubs.

Polypipe gained 8½ to 140½p as the maker of plastic products for the building industry benefited from hopes of further consolidation in the sector prompted by the recent sale by Caradon of its plastic pipe manufacturer Terrain. One fund manager said the price paid for Terrain suggested Polypipe might be worth 170p-180p to a trade buyer.

Pilkington was off 4 at 64p in the wake of a note from the building materials team at WestLB Panmure that said there was little logic in Hanson bidding for the glassmaker.

Hanson was off 2 at 458p as WestLB said the shares had been oversold but had recently rebounded to close to fair value. It added that there was a case for them reaching 490p.

Rugby saw brisk trade of 6.8m although the shares closed unchanged at 98½p.

FT 30 INDEX

	Feb 4	Feb 3	Feb 2	Feb 1	Jan 29	Yr ago	*High	*Low
FT 30	3629.1	3619.3	3646.8	3638.7	3555.5	3427.6	4004.9	2780.6
Ord. div. yield	2.88	2.90	2.87	2.87	2.93	3.15	4.22	2.72
P/E ratio net	23.25	23.12	23.35	23.33	22.86	22.50	25.41	15.80
P/E ratio nil	23.15	23.02	23.26	23.24	22.77	N/A	25.19	15.71

FT 30 since compilation: high 4004.9 [illegible]; low 49.4 [illegible]. Base Date: 1/7/35

FT 30 hourly changes

9	10	11	12	13	14	15	16	High	Low
3619.3	3637.2	3639.8	3651.3	3657.5	3662.7	3649.8	3625.6	3672.3	3616.1

STOCK MARKET TRADING DATA

	Feb 4	Feb 3	Feb 2	Feb 1	Jan 29	Yr ago
SEAQ bargains	73,986	77,586	77,222	85,334	72,724	n/a
Equity turnover (£m)†	-	4038.5	4461.2	4202.7	4744.1	n/a
Equity bargains†	-	86,474	87,815	89,144	81,160	n/a
Shares traded (mil)†	-	1172.9	1209.2	1068.3	1162.8	n/a
Total market bargains‡	-	77,856	80,097	84,145	72,098	-
Total turnover (£m)‡	-	5766.7	5920.7	5171.4	5837.8	-
Total shares traded (mil)‡	1244.2*	1433.1	1448.3	1309.2	1425.6	-
Tradepoint turnover (£m)	36.8	33.5	29.4	32.9	25.4	29.0
Tradepoint shares traded(m)	12.6	8.9	12.7	12.7	9.6	7.5

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	779	Total Highs	90	Total contracts	35,421
Total Falls	556	Total Lows	34	Calls	19,640
Same	1,393			Puts	15,781

Feb 4 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	5980.0	5930.0	+15.0	6030.0	5918.0	28615	165541
Jun	6020.0	5989.0	+12.0	6070.0	5985.0	552	17162
Sep	-	6033.0	+14.0	-	-	0	1700

■ FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	-	5230.0	+27.0	-	-	0	886
Jun	-	5247.0	+27.0	-	-	0	300

■ FTSE 100 INDEX OPTION (LIFFE) (*5940) £10 per full index point

[illegible]

■ EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Feb 4	% chg on day	Feb 3	Year ago	Gross div yield %	Total return	52 week High	52 week Low
Gold Mines Index (29)	948.42	-1.6	964.85	1067.85	2.08	984.25	1351.57	765.89
■ Regional Indices								
Africa (8)	1035.33	-1.5	1051.47	1177.48	4.26	1048.24	1489.04	765.49
Australasia (9)	1262.23	0.7	1193.42	1401.27	2.57	1213.41	1650.53	915.93
Americas (11)	600.05	-2.3	600.33	683.22	0.85	582.41	1317.41	542.85

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	£ Stlg Feb 4	Day's chge%	Euro Index	£ Stlg Feb 3	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	5939.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	5232.6	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250 ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	2827.9	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Higher Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350 Lower Yield	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE SmallCap ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share	2732.82	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Share ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Small	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE All-Small ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE AIM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ FTSE Actuaries Industry Sectors

[illegible]

■ Hourly movements

	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	5933.0	5974.5	5982.7	6001.5	6018.1	6012.8	5984.6	5939.1	6041.5	5924.7
FTSE 250	5222.3	5239.0	5233.3	5230.3	5251.0	5251.1	5245.0	5234.2	5252.0	5222.3
FTSE 350	2848.3	2842.1	2845.2	2852.8	2858.7	2846.9	2827.6	[illegible]	2868.8	2822.2
FTSE SmallCap	2189.05	2193.84	2195.07	2197.20	2200.79	2202.01	2201.72	2201.26	2202.21	2185.83
FTSE All-Share	2750.93	2745.41	2748.36	2755.27	2763.09	2761.20	2750.29	2732.64	2770.27	2727.51

[illegible]

FTSE INTERNATIONAL

TRADING VOLUME

■ Major Stocks yesterday.

[illegible]

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE (EMU) Prices in €

AUSTRIA (Feb 4) 1 € = 13.7603 Sch

BELGIUM/LUX (Feb 4) 1 € = 40.3399 Frs.

GERMANY (Feb 4) 1 € = 1.95583 Dm.

FINLAND (Feb 4) 1 € = 5.94573 Mka

NETHERLANDS (Feb 4) 1 € = 2.20371 Fl.

FRANCE (Feb 4) 1 € = 6.55957 Frs.

IRELAND (Feb 4) 1 € = 0.78756 Punt

ITALY (Feb 4) 1 € = 1936.27000 Lire

PORTUGAL (Feb 4) 1 € = 200.482 Esc.

SPAIN (Feb 4) 1 € = 166.386 Pta.

EUROPE (NON-EMU)

CZECH REP (Feb 4 / Koruna)

DENMARK (Feb 4 / Kr)

GREECE (Feb 4 / Drachma)

NORWAY (Feb 4 / Kroner)

POLAND (Feb 4 / Zloty)

SWEDEN (Feb 4 / Kronor)

SWITZERLAND (Feb 4 / Frs.)

TURKEY (Feb 4 / TK Lira)

PACIFIC

JAPAN (Feb 4 / Yen)

AUSTRALIA (Feb 4 / Aust$)

HONG KONG (Feb 4 / H.K.$)

INDONESIA (Feb 4 / Rupiah)

MALAYSIA (Feb 4 / MYR)

NEW ZEALAND (Feb 4 / NZ $)

SINGAPORE (Feb 4 / S$)

SOUTH KOREA (Feb 4 / Won)

TAIWAN (Feb 4 / TW $)

THAILAND (Feb 4 / Baht)

AFRICA

SOUTH AFRICA (Feb 4 / Rand)

AMERICAS

CANADA

TORONTO (Feb 4 / Can $) 4 pm close

MONTREAL (Feb 4 / Can $) 4 pm close

MEXICO (Feb 4 / Peso) 12.30 pm

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY FEBRUARY 3 1999 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY FEBRUARY 2 1999 US Dollar Index	Pound Sterling Index	Yen Index	Euro Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (75)	214.53	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	211.72
Austria (21)	171.12	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	200.50
Belgium (33)	405.30	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	289.71
Brazil (29)	111.17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	227.84
Canada (113)	211.17	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	212.26
Denmark (34)	478.13	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	462.27
Finland (25)	810.01	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	306.65
France (73)	332.75	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	248.76
Germany (55)	272.45	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	241.98
Greece (36)	418.59	0.3	378.88	297.05	424.85	848.86	0.8	[illegible]	417.19	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	–
Hong Kong, China (66)	279.79	–1.1	253.24	198.55	283.97	278.35	–1.1	4.36	282.90	254.80	201.27	286.90	281.47	362.55	198.64	340.94
Indonesia (24)	50.64	7.0	45.83	35.94	51.40	261.72	2.4	1.17	47.34	42.64	33.68	48.01	255.55	64.52	19.04	50.93
Ireland (14)	572.65	0.6	518.31	408.37	560.11	560.11	0.7	1.75	569.18	512.84	404.93	556.27	556.27	605.85	396.15	444.80
Italy (53)	167.56	–1.4	151.66	118.91	213.56	213.56	–1.3	1.30	169.96	153.08	120.92	216.45	216.45	192.64	128.68	129.81
Japan (445)	101.81	–1.3	92.15	72.25	103.33	72.25	–1.6	1.03	103.16	92.91	73.39	104.82	73.39	109.73	78.83	105.94
Mexico (26)	1157.61	0.6	1047.77	821.48	1174.91	12798.44	0.9	2.00	1151.20	1036.84	819.01	1167.47	12678.45	1733.73	787.15	1600.22
Netherlands (26)	491.52	–1.1	444.89	348.81	495.74	435.74	–1.7	2.17	497.24	447.84	353.75	440.48	440.48	562.73	394.92	417.05
New Zealand (18)	67.67	1.7	61.25	48.02	68.68	65.25	0.7	4.48	66.55	59.94	47.35	67.49	64.78	77.84	45.68	75.33
Norway (37)	241.84	0.3	218.90	171.62	245.46	249.98	0.9	2.30	241.15	217.20	171.57	244.56	247.86	357.71	181.96	301.56
Philippines (22)	88.04	1.2	79.68	62.48	89.35	168.69	1.0	0.96	86.96	78.32	61.87	88.19	167.06	108.98	42.48	90.87
Portugal (18)	262.36	–0.1	237.47	186.18	317.32	317.32	0.0	1.03	262.65	236.56	186.86	317.42	317.42	290.39	194.13	–
Singapore (40)	200.35	–2.8	181.34	142.18	203.35	155.67	–2.7	1.83	206.09	185.62	146.62	209.01	160.03	246.74	102.45	212.24
South Africa (39)	190.32	–0.6	172.26	135.06	193.16	249.89	–0.7	3.57	191.44	172.43	136.20	194.15	251.60	346.20	151.55	278.70
Spain (30)	391.73	–0.1	354.56	277.99	435.21	435.21	0.0	1.85	392.01	353.07	278.89	435.18	435.18	436.19	290.81	299.95
Sweden (43)	541.70	–0.7	490.30	384.41	549.80	630.88	–0.2	1.84	545.89	491.48	388.22	553.40	632.04	628.18	378.18	483.90
Switzerland (30)	407.46	–0.5	368.80	289.15	413.55	356.26	–0.4	1.20	409.46	368.78	291.30	415.25	357.75	441.65	307.73	361.92
Thailand (31)	21.20	–3.6	19.19	15.05	21.52	30.25	–3.5	3.10	21.99	19.80	15.64	22.30	31.36	33.84	8.15	31.99
United Kingdom (202)	378.80	–1.6	342.86	268.81	384.46	342.86	–1.1	2.86	385.05	346.80	273.94	390.49	346.80	401.84	307.96	358.75
USA (613)	525.78	0.9	475.89	373.11	533.64	525.78	0.9	1.24	521.23	469.46	370.83	528.60	521.23	527.72	390.12	410.53
Americas (784)	466.47	0.9	422.21	331.03	473.45	396.03	0.9	1.27	462.48	416.52	329.01	469.00	392.64	467.90	347.59	371.60
Europe (723)	357.34	–1.2	323.43	253.58	362.68	330.71	–0.9	2.05	361.80	325.68	257.26	366.71	333.87	386.24	282.63	307.56
Eurobloc (341)	103.36	–1.1	93.55	73.35	100.25	100.25	–1.0	1.73	104.51	94.13	74.35	101.29	101.29	113.92	81.53	–
Nordic (143)	513.62	–0.1	464.88	364.48	521.29	517.56	0.2	1.80	514.10	463.04	365.75	521.37	516.32	555.97	360.04	425.74
Pacific Basin (721)	109.10	–1.1	98.75	77.42	110.73	80.63	–1.3	1.55	110.27	99.32	78.45	111.83	81.71	119.48	82.88	115.23
Euro-Pacific (1444)	212.26	–1.1	192.12	150.62	215.43	174.56	–1.1	1.91	214.71	193.39	152.76	217.75	176.42	221.79	168.00	195.46
North America (726)	504.50	0.9	456.63	358.01	512.04	505.47	0.9	1.26	500.15	450.47	355.83	507.22	501.12	506.43	374.92	397.76
Europe Ex. UK (521)	334.33	–1.0	302.61	237.26	339.33	314.66	–0.8	1.65	337.57	304.04	240.16	342.34	317.36	368.32	260.93	273.67
Europe Ex. Eurobloc (382)	97.55	–1.3	88.29	69.22	99.00	97.86	–0.9	2.39	98.79	88.98	70.28	100.19	98.51	108.93	77.40	–
Europe Ex. UK Ex. Eurobloc (180)	99.74	–0.5	90.28	70.78	101.23	96.66	–0.3	1.41	100.25	90.29	71.32	101.66	96.95	109.21	75.16	–
Pacific Ex. Japan (276)	181.01	–0.1	163.84	128.45	183.72	183.14	–0.4	3.57	181.20	163.20	128.91	183.76	183.84	216.04	128.26	202.45
World Ex. Eurobloc (1923)	107.59	0.2	97.38	76.35	109.19	105.84	0.2	1.52	107.39	96.72	76.40	108.91	105.61	108.05	83.09	–
World Ex. US (1651)	211.63	–1.0	191.55	150.18	214.79	179.71	–1.0	1.91	213.86	192.61	152.15	216.88	181.46	221.91	165.95	198.40
World Ex. UK (2062)	306.48	0.2	277.40	217.49	311.06	273.37	0.1	1.40	305.98	275.58	217.69	310.31	272.96	311.48	238.11	258.01
World Ex. Japan (1819)	417.70	0.1	378.07	296.42	423.94	408.91	0.2	1.61	417.17	375.73	296.79	423.07	408.11	427.99	320.58	347.07
The World Index (2264)	312.75	0.0	283.08	221.94	317.43	279.86	0.0	1.55	312.82	281.74	222.55	317.24	279.81	318.51	242.36	268.52

 CONSTITUENT CHANGES WITH EFFECT 4/2/99: [illegible]. Latest prices were unavailable for this edition.

Emerging markets: IFC investable indices

Dollar terms

Feb 03 Market		Day's chg %	% Chg since 31/12/98
Latin America			
Argentina	772.28	+0.8	–3.2
Brazil	233.18	+1.1	–15.2
Chile	440.28	+0.3	–2.4
Colombia[1]	333.83	–0.5	–24.0
Mexico	488.91	+0.6	+1.5
Peru[2]	132.61	–0.7	–1.3
Venezuela[3]	385.48	–0.5	–15.0
East Asia			
China[4]	21.96	–1.2	–16.1
India[7]	68.65	+1.2	+6.9
Indonesia[8]	23.85	+7.6	–1.5
Korea[5]	51.65	–2.7	–2.6
Malaysia	88.17	–2.4	–0.4
Pakistan[9]	82.98	+1.0	–12.3
Philippines	121.77	+1.7	–1.1
Sri Lanka[10]	73.50	–0.4	–10.8
Taiwan, China[6]	107.68	+0.8	–7.0
Thailand	58.91	–2.9	–6.7
Europe			
Czech Rep	46.31	–1.2	–8.7
Greece	746.55	+0.3	+20.6
Hungary[11]	291.58	–0.6	+3.9
Poland[12]	550.52	–0.3	+5.1
Portugal	297.28	+0.1	+1.8
Russia	22.34	+0.4	–4.7
Slovakia	44.91	+0.4	+3.0
Turkey[14]	142.20	+1.6	–2.8
Mideast/Africa			
Egypt	78.86	–0.5	+22.3
Israel	101.72	–1.1	–0.5
Jordan	227.66	+0.4	+5.1
Morocco	175.71	+0.1	+4.8
S Africa[15]	131.73	–0.5	+5.2
Zimbabwe[16]	110.05	+0.8	+4.5
Regions			
Composite	185.06	+0.1	–0.9
Latin America	394.03	+0.6	–6.1
Asia	102.28	–0.3	–4.4
EMEA	121.61	–0.1	+6.4
Europe	161.10	+0.3	+7.8
Easte Europe	58.89	–0.4	+1.3
ME & Africa	56.34	–0.6	+5.1
Comp + Malay	187.85	–0.1	–0.9
Asia + Malay	104.18	–0.6	–3.6

Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991; (10) Dec 31 1992; (11)Dec 31 1992; (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1988; (15)Aug 2 1993; (16) July 2 1993.

Latest indices were unavailable for this edition.

4 pm close February 4

NEW YORK STOCK EXCHANGE PRICES

1998/99 High	Low	Stock	Div	Yld %	P/E	Vol 100s	High	Low	Close Quote	Chg'e Prev. Close

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Volume figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ud- volume. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Feb 3	Feb 2	Feb 1	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Industrials	9366.81	9274.12	9345.70	9643.32 (8/1/99)	7539.07 (31/8/98)	9643.32 (8/1/99)	41.22 (8/7/32)
Home Bonds	106.15	106.20	106.40	107.17 (9/12/98)	104.42 (11/5/98)	107.17 (9/12/98)	54.99 (1/10/81)
Transport	3225.34	3204.58	3248.89	3686.02 (16/4/98)	2345.00 (9/10/98)	3686.02 (16/4/98)	13.23 (8/7/32)
Utilities	294.95	294.98	296.98	328.51 (8/10/98)	262.98 (9/1/98)	328.51 (8/10/98)	10.50 (8/7/32)

DJ Ind. Day's High 9454.09 (9394.16) Low 9176.80 (9146.16) (Theoretical¶)
Day's high 9398.22 (9344.92) Low 9238.82 (9188.17) (Actual§)

Standard and Poors							
Composite‡	1272.07	1261.99	1273.04	1279.64 (29/1/99)	927.69 (9/1/98)	1279.64 (29/1/99)	4.40 (1/6/32)
Industrials¥	1547.71	1534.41	1547.06	1551.66 (29/1/99)	1077.40 (9/1/98)	1551.66 (29/1/99)	3.52 (30/6/32)
Financial¥	129.80	129.10	130.66	147.89 (14/7/98)	95.80 (8/10/98)	147.89 (14/7/98)	7.13 (4/8/74)
Others							
NYSE Comp.	598.58	594.10	597.46	611.88 (8/1/99)	477.20 (8/10/98)	611.88 (8/1/99)	4.64 (25/4/42)
Amex Comp	713.27	709.69	712.63	753.67 (22/4/98)	563.75 (8/10/98)	753.67 (22/4/98)	524.20 (16/7/98)
NASDAQ Cmp	2483.41	2463.42	2510.09	2510.09 (1/2/99)	1419.12 (8/10/98)	2510.09 (1/2/99)	54.87 (9/10/74)
Russell 2000	423.74	421.73	426.06	491.41 (21/4/98)	310.28 (8/10/98)	491.41 (21/4/98)	123.36 (7/12/93)

RATIOS

	Jan 29	Jan 22	Jan 15	Year ago
Dow Jones Ind. Div. Yield	1.64	1.67	1.64	1.74
	Feb 3	Jan 27	Jan 20	Year ago
S & P Ind. Div. yield	1.10	1.12	1.12	1.43
S & P Ind. P/E ratio	39.55	38.57	38.80	27.31

US DATA

MARKET ACTIVITY

● Volume (million)	Feb 3	Feb 2	Feb 1
NYSE	872.939	845.520	759.480
Amex	29.072	28.765	84.614
NASDAQ	1059.10	970.180	981.180

NYSE	Feb 3	Feb 2	Feb 1
Issues Traded	3,545	3,529	3,543
Rises	1,026	1,107	1,358
Falls	1,378	1,908	1,640
Unchanged	541	514	544
New Highs	51	32	83
New Lows	70	94	65

NYSE TRADING ACTIVITY

Volume : 876,530,000

ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
AmOnLine	9,183,800	172¾	+5¾
Compaq	8,463,300	47⅛	−¼
Mattel	8,425,300	27⅞	+1⅞
AdvMic	8,322,000	20⅞	−3¾
Citigrp	7,737,200	54⅛	+1¼
Fstagy	7,248,000	30¼	+⅛
AT&T	7,069,700	94⅞	+3
MgStDW	6,341,100	91¾	+2⅛
BellSth	6,085,860	44⅞	+1¾
Fst Union	6,075,400	61¼	+⅜

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Analog	33⅞	+5¾	+20.4
Valid Inc	12¾	+1⅝	+14.0
BrogrW	43	+5⅛	+13.7
EngyVisin	19⅜	+1⅞	+10.8
Downs			
Transcnt R	13⅞	−2¾	−15.1
Amvstic	20⅞	−3¾	−13.9
Magnetek	11¾	−1¼	−10.6
Pulte	26¾	−2⅜	−8.0

NASDAQ TRADING ACTIVITY

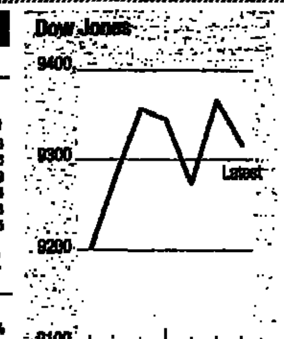
Volume :1,062,453,000

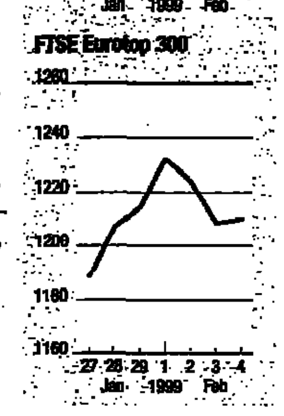
ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
3Com	38,671,200	37¾	−6¾
CiscoSys	24,221,800	111¾	−1¾
DellCmp	20,653,800	107⅞	−¾
Telabsc	18,958,500	15⅞	−4⅞
Micsft	18,120,800	168⅞	−⅞
E trade	14,990,200	56¾	−3
MCIWorn	14,275,100	78⅛	−⅞
Intel	14,044,500	138⅞	+4⅛
Clarns Cp	12,882,300	23⅞	+1⅞
MentrG	10,383,000	13⅞	+2¾

BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
MentrG	13⅞	+2¾	+24.0
Incyte Ph	27¾	+5⅛	+22.7
ASETest	44¾	+7¾	+21.2
Cal Micro	13⅞	+2⅜	+20.7
Downs			
Telabsc	15⅞	−4⅞	−23.4
MetroInfoS	29⅞	−5⅜	−15.5
3Com	37¾	−6¾	−15.3
Varian	23⅞	−3¾	−13.2





JAPAN

	Feb 4	Feb 3	Feb 2	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
Nikkei 225	14086.85	14161.31	14349.83	17264.3	12880	38915.9	85.25

Day's high: 14256.67. Day's low: 13925.14

TOKYO TRADING ACTIVITY

Volume : 337,580,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Toshiba	7,492,000	742	−3
SumRbr	7,280,000	682	+69
Hitachi	6,857,000	768	−30
Mitsbvy	5,842,000	436	+2
SanyoEl	5,645,000	355	+17
Sakura	5,180,000	265	+2
NpStl	4,981,000	200	−2
BTokM	4,727,000	1300	−18
SekuA	4,717,000	83	−5
SanwBk	4,077,000	1023	−10

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
SumRbr	682	+69	+15.5
YamEls	158	+13	+9.1
YkomRb	320	+22	+7.4
ToyoTB	310	+19	+6.5
Downs			
MbSU	102	−7	−6.4
SekuA	83	−5	−5.7
Tegami	170	−10	−5.6
NbMet	193	−11	−5.4

FRANCE

	Feb 4	Feb 3	Feb 2	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
CAC 40	4167.42	4188.84	4243.57	4388.48	2882.54	4388.48	984.51

Day's high: 4267.58. Day's low: 4159.94

PARIS TRADING ACTIVITY

Volume : 500,080,670

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
G'phys	1,877,484	38.25	−4.25
Usinor	1,816,342	11.46	+0.26
FrTele	1,617,135	80.5	−0.2
MchlnB	1,474,743	33.5	−0.89
TotalB	1,322,589	91.2	
Paribas	1,299,610	88.1	
RhonPA	995,823	44	−0.8
EliAqu	906,496	100	+2.25
Axa	894,168	121.4	−2.3
SocGen	776,238	140.6	−1.3

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
RemyC	16.77	+1.07	+6.8
DassSy	41.5	+2.4	+6.1
Legris	47.4	+2.1	+4.6
CCF	82	+3.5	+4.5
Downs			
G'phys	38.25	−4.25	−10
GpPart	71.3	−3.15	−4.2
CapGem	166	−7	−4.0
Rexel	70	−2.9	−4.0

GERMANY

	Feb 4	Feb 3	Feb 2	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
DAX	5077.85	5085.86	5168.87	6171.43	3896.08	6171.43	931.18

Day's high: 5200.10. Day's low: 5077.85.

FRANKFURT TRADING ACTIVITY

Volume : (u)

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Dt Tel	498,251	39.8	+1.55
Bayer	339,015	31.95	−1.0
Veba	333,017	48.05	−2.35
Lufthn	314,705	18.8	−0.3
BASF	281,371	32	−0.45
Siemens	278,691	62	−0.5
Commzbk	276,129	25.4	−0.4
RWE	254,382	46.2	−0.55
Dt Bk	240,180	46.3	+0.35
Mnnsmn	238,356	14.6	+0.85

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Sbz	58.5	+6	+11.2
BMWPf	375	+30	+8.7
BMW	659	+45	+7.3
HeidelPf	66.6	+4.5	+7.2
Downs			
HerBank	25	−3	−10.7
MAN	235.5	−16.5	−6.5
DEPFA	73.8	−3.7	−4.8
Veba	48.09	−2.35	−4.7

UK

	Feb 4	Feb 3	Feb 2	1998/99 High	1998/99 Low	Since compilation High	Since compilation Low
FTSE 100	5939.9	5940.3	6013.0	6179	4648.7	6179	986.9

Day's high: 6041.5. Day's low: 5924.7.

LONDON TRADING ACTIVITY

Volume : 1,244,200,000

ACTIVE STOCKS

Thursday	Stocks traded	Close price	Day's change
Shell	37,892,870	323	+12½
BTR Siebe	30,733,530	253½	+3½
TeleWest	25,481,200	251¼	+2½
Tesco	20,697,220	187½	−4¼
BP Amoco	17,103,880	891	+26
Br Telecom	15,820,410	950½	−3½
Vodafone	14,802,390	1113	−32
Unilever	14,564,990	670	+3
LucasVarity	13,565,880	291¾	+1¾
SmKlineB	13,250,740	835½	+31

BIGGEST MOVERS

Thursday	Close price	Day's change	Day's chge %
Ups			
Swan Hill	68½	+23	+50.6
Chemring	149	+43	+40.6
NRP	135	+37½	+38.5
Cortecs	23¼	+5½	+31.0
Downs			
GEI Intl	34½	−21	−37.8
Sys Int Res	27½	−5½	−16.7
Voss Net	43½	−8	−15.5
Russell (A)	105	−15	−12.5

INDEX FUTURES

S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Mar	1279.10	1277.00	−1.80	1285.30	1277.00	102,846	391,408
Jun	−	1290.60	−	−	1289.00	716	8,414

Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	14200.0	14150.0	−70.0	14270.0	13910.0	31,175	195,655
Jun	14010.0	14000.0	+20.0	14060.0	13800.0	979	32,921

Open interest figures for previous day.

CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Feb	4237.0	4174.0	−17.0	4281.0	4168.5	55,112	110,945
Mar	4248.0	4161.0	−17.0	4284.0	4176.5	1,403	61,801
DAX							
Mar	5175.0	5074.5	−29.5	5229.0	5070.0	38,934	186,222
Jun	5198.5	5103.0	−25.0	5241.5	5136.0	737	58,290

OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Feb	743.50	742.00	+6.50	754.00	739.50	24,085	173,297
Mar	743.00	740.00	+4.00	748.00	738.00	151	1,234
EUREX							
Mar	7281.0	7141.0	−59.0	7336.0	7135.0	21,847	128,080
Jun	7186.0	7088.0	−78.0	7247.0	7092.0	308	3,952

WORLD MARKETS AT A GLANCE

Country	Index	Feb 4	Feb 3	Feb 2	1998/99 High	1998/99 Low	✣ Yield	✣ P/E
Argentina	General	18431.11	18647.51	18511.11	23485.50 23/3/98	12393.10 10/9/98	4.24	12.1
✣Oil company YPF lower at midsession after it denied rumours of takeover by main shareholder.								
Australia	All Ordinaries	2940.5	2918.2	2907.0	2923.70 1/2/99	2458.20 1/9/98	3	22.8
	All Mining	576.2	573.5	570.2	713.10 23/4/98	499.80 31/8/98		
Lifted with bonds while A$ dipped following news of surprisingly weak December retail sales data.								
Austria	ATX Index	1088.76	1065.29	1072.68	1628.66 28/5/98	982.06 1/10/98		
Strong demand for Bank Austria and steelmaker Boehler lifted market higher despite European gloom.								
Belgium	BEL20	3458.72	3440.47	3455.19	3681.92 6/1/99	2357.78 10/1/98	1.45	26.4
Weak Wall Street and round of profit-taking dragged market down from record intra-day highs.								
Brazil	Bovespa	8530.0	8576.0	8732.0	12299.00 15/4/98	4761.00 10/9/98	na	na
✣Stable Real failed to prevent steep fall at midsession.								
Canada	TSE 100♦	410.16	412.09	409.30	475.63 25/5/98	324.91 5/10/98	1.65	19.2
	Metals Mins♦	3017.97	2972.75	2944.24	4390.01 10/3/98	2980.10 31/8/98		
	TSE300Comp♦	6685.10	6721.50	6683.80	7822.38 22/4/98	5335.79 5/10/98		
	Portfolio§§	3519.78	3531.54	3499.93	3965.81 25/5/98	2719.24 5/10/98		
Blue-chip stocks led market slightly higher in early trading.								
Chile	IGPA Gen¥	3583.05	3585.29	3584.60	4961.95 17/3/98	2980.95 14/9/98	3.52	11.6
China	Shanghai B	24.31	24.63	24.90	59.58 10/2/98	24.63 3/2/99	1.68	27.2
	Shenzhen B	44.73	46.62	47.63	98.97 10/2/98	45.52 26/1/99		
Foreign selling ahead of Chinese lunar new year pushed hard-currency shares to record lows.								
Colombia	IBB	850.79	851.26	851.26	1431.45 7/1/98	776.17 14/10/98	na	na
Czech Republic	PX 50	389.3	385.8	387.7	517.30 23/3/98	316.00 8/10/98	na	na
Week-long slide came to an end as telecom stocks rose amid slim volume.								
Denmark	CopenhagenSE	633.59	634.20	635.13	778.84 7/4/98	566.95 9/10/98	1.64	17.7
Bullish Den Danske Bank bucked the trend as blue-chip stocks ended sharply lower.								
Egypt	Cairo SE Gen	435.97	438.12	439.27	447.82 1/2/99	345.40 2/2/98	na	na
Correction turned into dip as investors remained optimistic following earlier bull run.								
Finland	Hex General	5990.16	5997.61	5901.65	6298.06 20/1/99	3220.43 12/1/98	1.78	22.3
Nokia off to a strong start but gains later trimmed as Wall Street stumbled.								
France	SBF 250	2623.49	2637.29	2657.46	2769.73 17/7/98	1873.10 12/1/98	2.2	21.2
	CAC 40	4167.42	4188.84	4243.57	4388.48 17/7/98	2882.54 12/1/98		
Robust start gave way to modest losses as investors tempered initial interest-rate driven optimism.								
Germany	FAZ Aktien	1638.33	1631.43	1645.38	1940.80 20/7/98	1250.50 2/10/98	1.35	19.7
	DAX‡	5077.85	5085.86	5168.87	6171.43 20/7/98	3896.08 8/10/98		
Early rise wiped out after Wall Street opened, but BMW, up 7.3 per cent, and Deutsche Telekom, up 4 per cent, held gains.								
Greece	Athens General	3293.21	3308.06	3278.03	3308.86 3/2/99	1380.13 29/1/98	1.28	27
	FTSE/ASE 20	2102.83	2112.19	2092.99	2112.19 3/2/99	755.18 29/1/98		
Market paused after seven-day rise amid profit-taking in industrial issues.								
Hong Kong	Hang Seng	9438.65	9419.85	9502.72	11810.60 25/3/98	6660.42 13/8/98	3.84	12.7
	HSCC Red Chip	670.85	675.18	684.71	1776.69 27/2/98	576.07 1/9/98		
HSBC pushed forward while shares in smaller banks continued to slide. Market volume was very subdued.								
Hungary	Bux	6581.61	6504.19	6524.74	9916.36 23/4/98	3775.02 21/9/98	na	na
Market took its cue from early gains in Europe and surprise 50 basis point interest rate cut in UK.								
India	BSE Sens.	3236.42	3277.57	3236.76	4280.96 21/4/98	2764.16 20/10/98		
	Crisil 500	652.79	662.00	645.38	815.82 21/4/98	557.88 20/10/98	na	na
Late bout of selling 15 minutes before close sent market into negative territory.								
Indonesia	Jakarta Comp.	409.02	410.55	405.16	554.10 2/2/98	256.83 21/9/98	2.42	20.3
Lack of positive news and reports of renewed violence left shares broadly weaker with an easier rupiah.								
Ireland	ISEQ Overall	5287.72	5339.23	5294.55	5471.61 21/4/98	3745.11 8/10/98	1.81	19.1
Israel	Tel Aviv 100	295.24	292.61†	295.56	337.43 6/8/98	249.16 8/10/98	na	na
Rose on US and European gains as imminent approval of long-delayed 1999 budget failed to spark excitement.								
Italy	BCI Comit 30	340.21	341.92	345.23	388.68 20/7/98	248.51 9/10/98	1.71	25.8
	Banca Com Ital	1487.68	1477.02	1487.73	1854.36 7/4/98	1063.50 9/10/98		
	Mibtel General	23438.0	23490.0	23717.0	28377.00 6/4/98	16761.00 9/10/98		
Investors turned cautious after opening in Wall Street while banks remained in the limelight.								
Japan	Nikkei 225	14086.85	14161.31	14349.83	17264.30 2/3/98	12880.08 9/10/98	0.97	51
	Nikkei 300	216.79	218.14	221.67	257.43 10/2/98	192.38 9/10/98		
	Topix	1090.77	1097.15	1113.73	1300.30 10/2/98	980.11 15/10/98		
	2nd Section	1219.73	1231.82	1239.58	1401.27 12/2/98	1028.84 13/10/98		
Ignored firmer bonds and easier yen, finishing lower amid talks that a mid-size life insurer was likely to fail.								
Jordan	Amman SE	(c)	178.19†	177.81	184.52 17/8/98	159.46 18/11/98	na	na
Investors shrugged off concern over King Hussein's health as industrial stocks stole the show.								
Malaysia	KLSE Comp.	577.32	558.84	579.55	745.36 27/2/98	262.70 1/9/98	2.51	15.1
Local demand propped up prices after government announced new levies and a capital gains tax to replace capital controls.								
Mexico	IPC	4040.31	4080.56	4014.58	5204.08 2/1/98	2858.10 10/9/98	1.45	15.4
✣Early gains gave way to losses as nervousness rose ahead of long week-end.								
Morocco	CASA	843.67	844.72	845.09	893.98 1/9/98	666.57 21/1/98	na	na
Profit-taking in banking sector dragged market lower while most other sectors posted healthy gains.								
Netherlands	CBS TtlRtnGen	1285.7	1272.3	1285.1	1483.00 20/7/98	974.90 8/10/98	2.18	21.9
	CBS All Shr	715.6	708.1	715.2	845.80 27/7/98	549.10 8/10/98		
Failed to hold to initial gains but traders pointed to high level of liquidity waiting for buying opportunities.								
New Zealand	Cap. 40	2217.76	2219.82	2210.26	2350.82 20/3/98	1868.24 2/10/98	5.01	21.3
Eased in heavy volume, with activity concentrated in telecoms.								
Nigeria	SE All-Share	(u)	5460.69	5471.49	6504.87 11/2/98	2236.40 12/1/98	na	na
Norway	Oslo SE Ind	1778.47	1781.24	1769.04	2370.88 4/5/98	1359.78 8/10/98	2.19	12.9
Traders ignored US weakness amid strong gains in oil-related sectors.								
Pakistan	KSE-100	867.73	891.95	882.35	1746.31 2/1/98	765.73 14/7/98	na	na
Slipped ahead of today's holiday. PTCL dipped 3.9 per cent in advance of news on roadshows for its privatisation.								
Peru	Lima Gen	1371.38	1369.65	1357.18	1809.91 4/5/98	1159.50 21/8/98	na	na
Philippines	Manila Comp	1986.30	2007.38	1975.29	2311.42 25/3/98	1082.18 11/9/98	1.32	14.1
PLDT lost 2.1 per cent after it said it would increase provisioning for bad debts.								
Poland	Wig	14554.2	14295.7	14431.1	18582.70 11/3/98	10473.70 9/10/98	2.07	9.8
Local investors piled on mid-cap stocks as foreign takeover rumours spread.								
Portugal	BVL 30	5053.33	5045.27	5049.12	6176.89 22/4/98	3598.08 2/10/98	2	27.6
	PSI 20	11674.03	11680.53	11657.29	14283.00 22/4/98	8114.51 2/10/98		
Russia	RTS	55.96	55.28	55.13	411.61 5/1/98	38.53 5/10/98	na	na
Singapore	SES All-S'pore	372.12	366.83	372.23	437.98 19/3/98	253.20 4/9/98	2.4	19.5
	Straits Times	1378.90	1368.79	1386.59	1698.75 19/3/98	805.04 4/9/98		
Blue-chip buying from local and foreign investors led rebound from early losses.								
Slovakia	Sax	92.40	92.94	92.84	182.48 5/1/98	81.45 20/11/98	na	na
Market led down by losses in steel maker VSZ.								
South Africa	JSE All Share	5808.5¥	5759.3	5786.2	8358.70 20/4/98	4894.40 11/9/98		
	JSE Gold	920.8¥	928.0	942.0	1318.68 8/10/98	672.88 18/3/98		
	JSE Indl.	6712.1¥	6660.7	6700.2	9942.70 20/4/98	3249.99 11/9/98	4.93	8.5
Gains in financials lifted broad market as investors were lured back by prospects for rate cut next week.								
South Korea	KoreaCmpEx**	550.15	553.33	567.28	649.95 11/1/99	280.08 16/6/98	1.11	24.2
Slipped for third day, with volume thinning as foreign activity waned.								
Spain	Madrid SE	874.06	880.60	880.06	947.62 17/7/98	642.29 5/10/98	1.87	23.9
Hypermarket chain Pryca among the day's top gainers after reporting good January sales figures.								
Sri Lanka	CSE All Share	(c)	565.95	588.89	789.70 4/5/98	481.80 3/9/98	na	na
Sweden	AffarsvardnGen	3455.9	3434.0	3433.5	3955.60 20/7/98	2411.70 8/10/98	2.13	20.7
Market outperformed some of its neighbours although weak start on Wall Street pulled prices off their highs.								
Switzerland	SMI Index	7137.2	7193.0	7225.1	8412.00 21/7/98	5126.50 5/10/98	1.35	23.7
	SPI General	4500.77	4529.71	4547.94	5237.39 20/7/98	3311.28 5/10/98	na	na
ABB marked higher as group reported 1998 results at top end of expectations and plans for simplified share structure.								
Taiwan	WeightedPr.**	5514.89	5743.86	5749.64	9277.09 2/3/98	5743.86 3/2/99	1.71	17.8
Tumbled to lowest level in 34 months amid growing pessimism over the local economy. Financials fell 5.1 per cent.								
Thailand	Bangkok SET	338.27	338.20	347.21	558.92 3/2/98	207.31 4/9/98	2.22	48
Weakness in banks in financials was balanced by foreign demand for select industrial blue chips.								
Turkey	IMKB Nat 100	2791.58	2671.30	2821.38	4530.99 16/7/98	1852.28 8/10/98	4.18	11.2
Shares jumped 4.5 per cent in rally driven by fall in inflation and treasury's announcement of new eurobond issue.								
Venezuela	IBC	4201.54	4199.18†	4214.63	7858.92 23/3/98	2894.70 10/9/98	na	na
Zimbabwe	ZSE Industrial	7440.49	7361.48	7239.25	8795.71 31/3/98	5441.85 1/9/98	na	na
Bargain-hunting by institutional and foreign investors drove market up to highest level since last July.								
WORLD	FT/S&P World(S)	(u)	312.75	312.82	318.51 6/1/99	242.36 5/10/98	na	na
	MS Capital Intl$	1161.7*	1168.9	1170.3	1195.58 6/1/99	888.50 12/1/98	na	na
CROSS-BORDER	DJ Stoxx 50	3421.42	3418.62	3465.47	3670.82 20/7/98	2433.07 8/10/98		
	DJ Euro Stx 50	3487.08	3488.13	3541.43	3695.36 6/1/99	2418.23 8/10/98		
	FTSE E300	1210.65	1208.16	1224.70	1327.68 20/7/98	883.59 5/10/98		
	FTSE E100	2770.85	2768.81	2811.24	3066.91 20/7/98	2049.91 8/10/98	na	na
	HSBC Drgn	(u)	211.12	213.26	273.91 26/3/98	161.71 5/10/98	na	na
	ING Bngs Emrg	(u)	116.22	116.58	123.12 7/1/99	86.64 11/9/98	na	na

** Sat Jan 30: Taiwan Weighted Price 5808.32. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Feb 4 - 5061.28 -20.79. † Correction. * Calculated at 15.00 GMT. ◉ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation. ✣ Yields and P/E ratios are based on Datastream Total Market Indices. ✣ Midsession.

THE NASDAQ-AMEX MARKET GROUP

4 pm close February 4

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
Acclaim E		24	5583	9⅜	9⅛	9⅛	−⅛
Acxiom Cp			3918	26⅛	24⅞	24½	−1½
Adaptec			12802	22½	21½	21½	−1
CashTech			4338654	31⅝	28¼	31⅛	+2⅜
Chandala		14	83	6⅞	6⅞	6⅞	−⅛
Cadiss		8	1657	3⅞	3¼	3⅜	+⅛
Fastenal	0.04	28	1268	40⅛	39⅞	39⅞	−¼
FifthThd	0.80	31	8889	66⅛	63½	64½	−2⅛
Finmet			345	5314	19⅞	16⅞	+⅛
Lance x	0.96	17	671	18⅞	17⅞	17⅞	−⅞
Lacoptics			41	2⅞	2⅞	2¼	+⅛
Lattice S		28	1792	55⅞	54	54¼	−⅞
OxfordHth			8813	18⅞	18	18¼	−⅞
PACCAR	2.40	8	3158	46⅞	43⅞	43⅞	−3⅞
Sanmina	1.41	30	3527	68	65½	65⅞	−4⅞
RedStg§		15	3076	14	13⅞	13⅞	−⅛
ReaderExp	0.30	12	645	17	16⅞	16⅞	+⅛
Summit Tc		5	1117	5⅞	5⅜	5⅜	−¼
SunMic		58	83871	119⅝	102⅞	103⅞	−7⅞
Swift Tm		24	1093	32⅛	31⅛	31⅛	−⅛
Unitog	0.18	28	117	36¼	36	36¼	+¼
Univest	2.60	5	624	69⅛	65	69¼	−2¼
US Energy			535	3⅛	2¾	3⅛	+⅛

AMEX

4 pm close February 4

EASDAQ

The EASDAQ All Share Index (EASI) for 4th February 1029.34 up 0.52% Day's High 1040.49 Day's Low 1029.34

EASDAQ is a fully regulated independent pan-European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

STOCK MARKETS

Wall St puts damper on rate cut optimism

WORLD OVERVIEW

Interest rate cuts in Europe, backed by stable rates in the US, failed to lift spirits as a feeble Wall Street took the shine off equity markets, *writes Bertrand Benoit.*

The decision by the Danish central bank to cut its repo rate by 25 basis points and an overnight rally in the US had sent European markets more than 1 per cent higher at the opening.

But despite a surprise 50 basis point rate cut by the Bank of England, gains were wiped out in the afternoon as losses on Wall Street dented optimism.

The Dow Jones Industrial Average was off 55 points at the close of the European day, dragged down by weakness in high-tech and telecom stocks.

Analysts said lower rates in Europe meant the cloud hovering above the continent's economic growth had turned darker.

Although few traders expected the European Central Bank to announce lower rates after its meeting yesterday, investors were still betting on a 25 to 50 basis point drop by the end of the first quarter.

"The positive interest rate effect may dominate for a while, but it sends a negative message about profits," said Peter Sullivan at Goldman Sachs.

Frankfurt's 0.6 per cent fall came amid rising alarm at the country's changing economic fortunes. December incoming industrial orders fell 2.8 per cent on a year-on-year basis.

Meanwhile, the powerful metalworking and engineering union IG Metall threatened an all-out strike, dismissing as "ridiculous" a 2.3 per cent pay offer. Analysts said a full-blown strike later this month could dent German growth by a tenth of a percentage point in the first quarter.

Asia turned in an uninspiring performance although a firmer dollar and talks of an interest rate cut by the Bank of Japan helped Tokyo to pare early losses.

Growing concern about the health of the banking sector sent Taiwan 4 per cent lower as financial stocks weakened across the region.

There was relief in Kuala Lumpur at the government's long-awaited decision to ease capital controls, even though investors said it would do little to make the market more attractive.

The measure replaced a five-month-old rule preventing foreign investors repatriating the capital of their investment for a year. Investors will now have to forfeit a 30 per cent levy on assets held for less than seven months, dropping to 0 per cent for funds older than a year. Investments made after February 15 will be subject to capital gains tax.

Wall Street sold off as bonds weaken

AMERICAS

Concerns about the strength of the economy and a weaker bond market took shares lower on Wall Street at midday, after the release of the latest economic data showed renewed strength in manufacturing, *writes John Labate in New York.*

By early afternoon the Dow Jones Industrial Average was down 41.45 or 0.44 per cent at 9,325.36. The broader Standard & Poor's 500 had lost 14.26 or more than 1 per cent to 1,257.81.

The heaviest selling came among high-tech stocks as internet and semiconductor shares were in overall decline, sending the Nasdaq composite off 1.89 per cent or 47.05 to 2,446.36.

The sell-off came as Doug Cliggott, US equity strategist at J.P. Morgan, shifted his portfolio recommendation away from stocks and into cash. Mr Cliggott's new model portfolio is 50 per cent in stocks, down from 60 per cent, 25 per cent in bonds, and 25 per cent in cash. He cited high stock valuations for his decision to change his portfolio.

US Treasuries plunged after the release of much stronger data than expected on factory orders and evidence of continued firmness in the labour market.

By early afternoon, the benchmark long bond was down 11/32 to 99 5/32, sending the yield higher to 5.306 per cent.

Falling semiconductor shares put pressure on the tech sector, with Advanced Micro Devices off $2 7/16 or more than 10 per cent to $18¼ after its 1999 earnings estimate was cut by Merrill Lynch. Also lower was Intel, down $4 11/16 to $133⅞ after Merrill Lynch lowered its 1999 earnings estimate.

In the retail sector, Sharper Image fell more than 7 per cent to $14⅛ after the company said its January sales were down 4 per cent. But other retailers picked up, including Dayton Hudson, up $1⅞ to $65¼, after it said its January sales grew 15 per cent. Gap shares were down $2¼ to $64 7/16.

Among the risers were Dow member stock International Paper, up $2 11/16 to $44¼, after regulators approved a recent merger, and Perot Systems, the recently floated public information technology company, which climbed another $18⅞ to $80¼.

TORONTO followed Wall Street lower in early trading and at noon the benchmark 300 composite index was off 29.71 at 6,691.80.

Industrials racked up some of the morning's bigger losses with Northern Telecom sliding C$1.75 to C$92.50 and Seagram C$2.15 at C$69.35. Alcan Aluminium dipped 10 cents to C$37.50.

Banks mostly edged higher. Bank of Nova Scotia shed 30 cents at C$31.50 but Royal Bank of Canada added 30 cents at C$80.20 and Toronto-Dominion improved 55 cents to C$67.50.

In golds, Barrick reversed recent weakness with a gain of 40 cents to C$29.65 while Placer Dome added 65 cents at C$18.15.

Among lesser caps, Research in Motion, the film technology group, jumped to a fresh peak for the year of C$19 before settling at C$17.85, up 65 cents.

A downgrade from ABN Amro sent Rogers Cantel Mobile Communications down 55 cents to C$23.75.

São Paulo slips further as IMF talks continue

SAO PAULO moved down in early trading with the Bovespa index adding to the 215-point decline of the past two days with a further decline of 1.6 per cent at midsession. The benchmark was 134 lower at 8,542.

Traders said that volumes were low and most investors were awaiting the outcome of the meeting between the IMF and the Brazilian economic team.

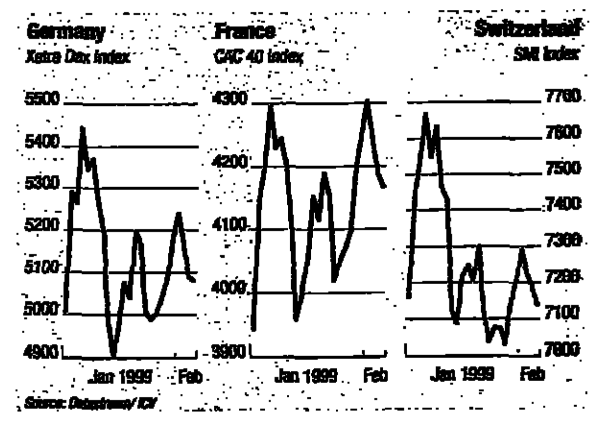
MEXICO CITY also weakened with investors said to be winding down their positions ahead of the long weekend, which starts today with Constitution day.

At the midsession count, the IPC index was down 0.6 per cent or 23.72 at 4,036.84.

CARACAS edged higher at midsession as oil price sentiment improved on the back of rising tensions in the Middle East. The IBC index was 2.45 higher at 4,201.63 at midsession.

Dax skids but BMW roars on

EUROPE



FRANKFURT rapidly unwound the Xetra Dax index in the final hours to close off 28.79 at 5,051.28 after hitting a session best of 5,206.1.

But speculation about senior management changes got firmly behind BMW. The motor group has attracted negative comment lately as a result of weak earnings.

Media-driven rumours that chief executive Bernd Pischetsrieder's job was on the line sent the shares to a high of €693.50 before closing €40 or 6.5 per cent higher at €660.

Degussa added 86 cents at €35.21 in spite of conflicting advice from brokers. Dresdner Kleinwort Benson upgraded the shares from "hold" to "trading buy" while Commerzbank cut it from "hold" to "sell".

The FTSE Eurotop 300 index rose 1.48 or 0.12 per cent to 1,210.65. See Euro Prices page.

Chemicals rival Henkel also gained, adding €3.43 at €65.81.

Commerzbank came off 27 cents to €25.66 as investors peered forward to next Monday and the bank's annual results, which kick off the sector reporting season.

Fading concerns that its merger with Krupp could be delayed sent Thyssen higher, lifting the shares €6.05 to €164.85. A heavyweight broker upgrade for British Telecom helped boost Deutsche Telekom, up €1.98 to €39.60.

Man, up 7.7 per cent in two days on merger talk and a broker upgrade, ran into severe profit-taking, sliding €16.8 to €235.20.

PARIS pared early gains to finish with the CAC 40 index off 21.42 at 4,167.42. Software leader Cap Gemini, down €7 or 4.1 per cent at €166, was the day's steepest faller.

Diversified water group Vivendi dipped €4 to €254 after Merrill Lynch cut the *shares to "accumulate"* from "buy". Michelin, up steeply on Wednesday on talk of tyre industry consolidation, came off 69 cents at €33.50.

Oil stocks rallied on rising tension in the Middle East and a better day for international oil prices. Elf Aquitaine improved €2.30 to €100.

Accor added €1.10 at €194 ahead of next week's results statement from the hotel giant.

Steady sales for the third quarter helped to lift Skis Rossignol 29 cents to €10.74. TV group TF1 came off steeply, falling €10 to €162 on the news that Canal Plus was to renegotiate an important news channel contract.

AMSTERDAM managed to stay positive on a dull day generally for bourses, with strong gains for Royal Dutch and ASM Lithography helping to lift the AEX index 4.15 to 531.27.

Royal Dutch were a strong market ahead of next week's results statement. Worries in the Middle East plus an upgrade when – UK broker Williams de Broë moved to "buy" from "hold" – supplied most of the day's support. The shares gained €1.40 or 3.9 per cent to €37.65.

ASM Lithography was the strongest performer, rising €2.70 or 7.2 per cent to €40.35 after Morgan Stanley Dean Witter's upgrade to "outperform" from "neutral".

ZURICH turned back after a firm opening, confounding some dealers who thought the SMI index was ripe for a break towards 7,700. Instead, the index pulled back from a day's peak of 7,300.9 to close 55.8 lower at 7,137.2.

ABB, a strong performer in the run-up to yesterday's 1998 results, put on another SFr23 to SFr1,722 as the figures came in at the top end of expectations. Some analysts suggested the shares now had the potential to rise to SFr1,850.

Adecco, which initially advanced to SFr693 on the back of good sales and operating profit figures, turned back to close just SFr1 higher at SFr680.

Algroup travelled a similar path, turning back from a high of SFr1,643 to close SFr8 weaker at SFr1,581.

The group denied market rumours that its planned merger with Viag of Germany had not been cancelled and insisted the deal was still on track.

MILAN closed just above the day's lows with the Mibtel index 52 weaker at 23,438.

Italgas lost 20.8 cents to €5.063 after Merrill Lynch cut its recommendation on the stock.

Fiat pulled back from €2.94 to close 6.2 cents weaker at €2.896. Early enthusiasm for the stock was spurred by reports that the group had struck a deal with a Chinese carmaker to make and sell light trucks in China.

Telecom Italia closed 28.1 cents higher at €8.619, off an all-time high of €8.76. The rise was attributed to speculation that at least one investor was trying to build up a stake to launch a takeover bid.

Holding company CIR put on 5.2 cents to €1.068 after a parliamentary commission cancelled a veto that would have stopped the group from bidding in the Rome airport privatisation.

MADRID closed lower as an already nervous market was dragged down by by Wall Street's weak opening. The general index finished 6.54 weaker at 874.06.

Energy group Endesa lost 42 cents to €23.65 ahead of a key meeting in Chile to decide whether Enersis, in which the Spanish company has a 32 per cent holding, would sell its stake in Endesa Chile.

Among banks, Santander lost 31 cents to €16.72 and BCH fell 13 cents to €10.07 after the two gave details of the terms of their merger and a capital increase to be carried out after the deal.

Written and edited by Michael Morgan, Jeffrey Brown, Paul Gregan and Peter Hall

Repo cut gives Jo'burg hope

SOUTH AFRICA

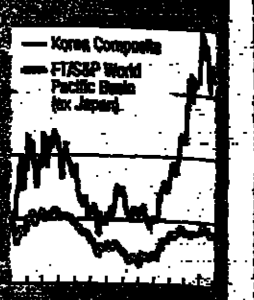
Johannesburg rallied following a strong run for financials, which pushed higher after a reduced central bank repo rate sparked hopes for a full-blown interest rate cut.

Financials rose 1.2 per cent to 9,103.1 in good two-way trading. The all share index closed 50.2 or 0.9 per cent higher at 5,809.5. Golds dipped 0.6 per cent to 920.8. Industrials added 0.8 per cent at 6,712.1.

SA Druggists tumbled 19 per cent to R23.50 after a takeover bid for the group was blocked.

EMERGING MARKET FOCUS

Seoul braced for volatile year



Has Seoul peaked after being the world's best performing bourse in dollar terms last year? The market has tumbled 15.7 per cent from its mid-January high to 550.15 yesterday on the composite index.

But some analysts believe a rebound up to 800 points is likely by the year's end, although the ride will be "extremely volatile", according to Bill Hunsaker, research head at ING Barings in Seoul.

The stock market's surge in the three months to mid-January was driven by increased liquidity as the government eased monetary and fiscal controls to reflate the economy. Interest from foreign investors also contributed, with a net inflow of overseas funds of $1.35bn in January, the biggest amount in nearly a year.

The liquidity-driven market has provoked worries that the rise in shares amounts to a bubble inflated by aggressive cuts in interest rates, down to 3 per cent in real terms.

A more benign view is that the market also reflects a strengthening of Korea's economic fundamentals. Optimism about a rapid recovery has increased.

The central bank predicts the economy will grow 3.2 per cent this year after shrinking nearly 6 per cent in 1998 in the nation's worst recession since the Korean war. Private economists believe Korea is on the rebound, although they estimate the growth rate at a more modest 1-2 per cent.

The threat of a renewed debt crisis has receded, with foreign exchange reserves topping $50bn as Korea posted a $39.9bn trade surplus last year. This has also strengthened the won, which has risen 20 per cent against the US dollar after losing half its value a year ago.

Signs of an economic revival are also reflected in growing imports, particularly capital goods, as companies resume investments. But export growth could be hurt by the stronger currency and any slowdown in global economic growth, which could cut the trade surplus to $20bn this year.

Confidence will increase further if consumer spending and industrial production bounce back by the second half. However, the government is worried that a rise in unemployment this year to 2m from 1.67m, or 7.9 per cent of the workforce, at the end of 1998 could stall a recovery in private consumption.

For that reason, the government might decide to stimulate the economy while easing efforts at corporate restructuring that would cost jobs. Many foreigners are worried the improved economic situation is making Seoul complacent about the need for reform.

A slowdown in the pace of restructuring might curb foreign interest in the Seoul market. But the withdrawal of overseas funds may not affect the bourse greatly since domestic investors are likely to take up the slack in buying shares as long as interest rates are low, liquidity is high, and optimistic forecasts by the government and media improve investor sentiment.

John Burton

Rate rises cause Tokyo concern

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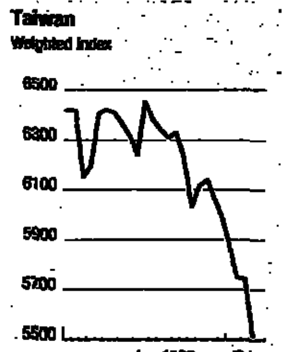

Shares in **TOKYO** stretched their losing streak to four sessions, sending the Nikkei 225 average below 14,000 points for the first time in more than two weeks as investors watched the recent rise in interest rates with concern, *writes Alexandra Harney.*

The yield on government bonds has swung to new highs, fuelling anxiety about the damaging effects on banks' bond holdings and on the economy as a whole.

The Nikkei 225 tumbled 74.46 to 14,086.85, having fluctuated between 13,925.14 and 14,255.67.

Volume edged up to 337.6m shares exchanged in the first section. Banks, exporters and heavy industries were the most heavily traded sectors, on the back of the stronger dollar against the yen and worries about the effect of higher interest rates on banks.

Sumitomo Rubber, which formally announced a strategic alliance with Goodyear of the US earlier this week, jumped Y89 to Y662.

Analysts say the deal, which brings Sumitomo into the world's largest tyre manufacturer and allows it to pay down part of its debt burden, is almost entirely positive for the Japanese tyre maker.

Yokohama Rubber, seen as another takeover target, surged Y22 to Y320.

Hitachi lost Y30 to Y768 after it warned that losses would be greater than the Y250bn forecast earlier. Toshiba slid Y3 to Y742, and NKK, the steel group that is rumoured to be prime for a merger, edged up Y1 to Y69.

Banks were mixed. Sakura gained Y2 to Y265, and Fuji was up Y3 to Y448. The Industrial Bank of Japan slid Y1 to Y531. The Bank of Tokyo-Mitsubishi lost Y10 to Y1,300.

Other indices fell broadly. The Topix index of first-section stocks tumbled 6.38 to 1,090.77, and the Nikkei 300 lost 1.35 to 216.79.

In Osaka, the OSE slid 125 to 14,911.

TAIPEI tumbled 4 per cent as investors succumbed to panic-selling amid growing concern over the health of the country's economy.

A mix of margin calls and sustained selling in financial and construction issues brought the weighted index to a 34-month low, down 228.97 to 5,514.89.

Reports that a member of the country's parliament, Liu Ping-wei, had bounced T$100m worth of cheques prompted a run on deposits at Panhsin, the troubled bank in which the politician owns a stake.

Although the bank is unlisted, the news unleashed a spiral of selling among financial stock holders.

MANILA closed more than 1 per cent lower as a bout of weakness in utility stocks brought the three-day bull run to an end. The composite index closed 21.08 lower to 1,986.30.

PLDT dropped 20 pesos to 940 pesos, after it said it would increase provisioning for bad loans. A local paper said the move could cost the company 11bn pesos over three years.

KUALA LUMPUR saw a burst of late activity as local institutional funds entered the market after the government's eagerly anticipated move to alter capital controls. The composite index closed 8.48 higher at 577.32.

Analysts said the government's decision to replace capital controls with a sliding levy on repatriation of foreign capital could dampen inflows and complicate government efforts to attract new overseas funds.

Gaming and banking stocks were the focus of activity, as they have been since December.

KARACHI lost 2.7 per cent as local investors stepped up selling on settlement day. The KSE-100 index fell 24.22 to 867.73.

Pakistan Telecom was down 70 paise at Rs17.25, Hub Power fell 35 paise at Rs11.25 and Pakistan State Oil lost Rs2.10 to Rs57.60.

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